

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5448-02
Bill No.: SB 870
Subject: Tax Credits; Taxation and Revenue - Property
Type: Original
Date: March 25, 2014

Bill Summary: This proposal reauthorizes the Missouri Homestead Preservation tax credit program and modifies certain provisions relating to it.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0	\$0 or (\$1,453,892)	\$0 or (\$1,453,892)
Total Estimated Net Effect on General Revenue Fund	\$0	\$0 or (\$1,453,892)	\$0 or (\$1,453,892)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal would not fiscally impact BAP. This proposal renews the Homestead Preservation Credit for tax years 2015 to 2024. This program ended in June 2010. This proposal provides state funding to local governments to apply as credits on qualifying tax bills. This proposal will not reduce General and Total State Revenues, but will increase General Revenue expenditures to the extent funds are appropriated, as this program is subject to appropriation by the General Assembly (\$2.4 million was issued under this program in FY 2010, and \$0.8 million in FY 2011).

Officials at the **Department of Elementary and Secondary Education** assume this proposal would appear to re-authorize the Missouri Homestead Preservation Act. This would not impact state revenues; however, it would have a negative impact on the revenue stream of local governments. Our department has no means to calculate such impact.

Officials at the **Department of Revenue (DOR)** assume this proposal would require computer programming changes to various tax systems. The IT is estimated at \$36,961 for 1,344 FTE hours.

The General Assembly is required to appropriate the funds for this program. Without appropriation, no Homestead Preservation tax credits will be issued. Between 2005 and 2011, when this credit was authorized, as much as \$2.5 million in funds were appropriated for the credit. An average of 7,918 taxpayers received the credit per year, with an average of \$1.6 million awarded.

DOR's Collections & Tax Assistance Division anticipates receiving additional customer contacts regarding this credit. Collections & Tax Assistance requires one (1) Tax Collection Technician I for contacts on the non-delinquent tax line and one (1) Revenue Processing Technician I for contacts at field offices.

Oversight assumes DOR is provided with core funding to handle a certain amount of computer programming activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

This proposal requires an appropriation before the credit can be claimed and it is unclear how many credits would be claimed. **Oversight** will assume the Department of Revenue could

ASSUMPTION (continued)

absorb the work of this proposal with existing staff. If unanticipated additional costs are incurred or the number of credits redeemed reaches the stated levels, then the Department could request additional resources through the budget process.

Officials at the **State Tax Commission** assume there would be no fiscal impact to the Tax Commission. However, the impact to political subdivisions resulting from this proposal would likely be similar to the previous costs of this act which are as follows:

Year	Number of Applicants	Total
2005	18,069	\$2,927,751
2006	4,826	\$1,031,018
2007	1,650	\$87,920
2008	10,992	\$2,450,013
2009	4,055	\$772,758

Officials at the **St. Louis County** assume this proposal would have administrative costs of 2 FTE (salary and benefits) estimated at \$100,000 a year and IT support costs of \$50,000 annually. The state only reimburses the revenues lost to the counties and not the administrative costs. However, if the state does not appropriate funds, then there are no administrative costs either, since the program would not be administered.

Officials at the **City of Columbia**, the **City of Jefferson City**, the **City of Kansas City**, the **Joint Committee on Administrative Rules**, the **Missouri House of Representatives**, the **Missouri Senate**, the **Office of State Treasurer**, the **Special School District** and **St. Louis County** each assume there is no fiscal impact to their respective organizations from this proposal.

Oversight assumes that counties would not have a fiscal impact from the issuance of the homestead credit as the State offsets the loss to the county by the amount of the homestead credit.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for

ASSUMPTION (continued)

this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Oversight assumes this credit previously sunset on June 28, 2010. This proposal extends this tax credit beginning on January 1, 2015 (FY 2015) and therefore Oversight will reflect a loss to state revenue for the credits issued in FY 2016 and FY 2017 due to when the tax returns are filed. This tax credit does not have an annual cap but requires an appropriation by the General Assembly. Oversight will reflect the loss of revenue to the State as zero (no appropriation is made) or the average amount issued over the last five years of the previous program (\$1,453,892) if an appropriation is made.

Officials at the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to Oversight's request for fiscal impact.

Officials at the following schools: Blue Springs Public Schools, Branson Public Schools, Charleston R-I Schools, Cole R-I Schools, Columbia Public Schools, Fair Grove Schools, Francis Howell Public Schools, Fulton Public School, Independence Public Schools, Jefferson City Public Schools, Johnson County R-7 Schools, Kirksville Public Schools, Kirbyville R-VI Schools, Lee Summit Public Schools, Malden R-I Schools, Malta Bend Schools, Mexico Public Schools, Monroe City R-I Schools, Nixa Public Schools, Parkway Public Schools, Pattonville Schools, Raymore-Peculiar R-III Schools, Raytown School District, Sedalia School District, Sikeston Public Schools, Silex Public Schools, Spickard School District, St Joseph School District, St Louis Public Schools, St. Charles Public Schools, Sullivan Public Schools and

ASSUMPTION (continued)

Warren County R-III School District did not respond to **Oversight's** request for fiscal impact.

Officials at the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Revenue Reduction</u> - extension of the Homestead Preservation tax credit	<u>\$0</u>	<u>\$0 or (\$1,453,892)</u>	<u>\$0 or (\$1,453,892)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0 or (\$1,453,892)</u>	<u>\$0 or (\$1,453,892)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act reauthorizes the Homestead Preservation Act tax credit program which provided a property tax credit for qualified senior citizens and disabled individuals until it expired on August 28, 2010. This program is reauthorized beginning with the 2015 tax year and will sunset on December 31, 2024.

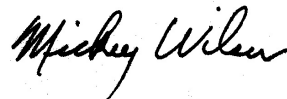
FISCAL DESCRIPTION (continued)

The act removes the exemption limit amount so that the entire increase in property tax liability for an eligible owner will be covered. The income limit for eligible owners is set at \$100,000 for 2015, and will indexed to correlate to increases in the general price level. Homesteads with encumbrances will be ineligible for the tax credit.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

City of Columbia
City of Jefferson City
City of Kansas City
Department of Elementary and Secondary Education
Department of Revenue
Joint Committee on Administrative Rules
Missouri House of Representatives
Missouri Senate
Office of Administration
 Division of Budget and Planning
Office of the Secretary of State
Office of State Treasurer
Special School District
St. Louis County
State Tax Commission



Mickey Wilson, CPA
Director
March 25, 2014

L.R. No. 5448-02
Bill No. SB 870
Page 8 of 8
March 25, 2014

Ross Strobe
Assistant Director
March 25, 2014

JH:LR:OD