

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0627-01  
Bill No.: SB 73  
Subject: Tax Credits; Taxation and Revenue-Property  
Type: Original  
Date: January 22, 2015

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	\$0	(\$1,554,692)	(\$1,453,892)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>(\$1,554,692)</b>	<b>(\$1,453,892)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Transfers in and costs net to zero.

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning (OA-B&P)** assume this proposal renews the expired Homestead Preservation Credit beginning in tax year 2016. 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. If only state funds are considered, there is no 18(e) impact. However, if local funds are also considered, there may be an 18(e) impact as local tax bills will decrease.

The General Assembly appropriated \$2.6 million for this program in FY 2010, and \$0.8 million in FY 2011. If the General Assembly chooses to fund this tax credit at FY 2010 levels, the state will pay \$2.6 million General Revenue to local governments. OA-B&P assumes a range from \$0 to \$2.6 million General Revenue dependent on the General Assembly's discretionary appropriation amount. There should be no impact to the locals as the amount of property tax credits given will be offset by the amount of General Revenue provided.

Officials at the **Department of Revenue** assume this proposal specifies that no property can be considered a homestead if an encumbrance is on the property. This proposal removes the definition for the term "homestead exemption limit". Beginning in calendar year 2016, the maximum upper limit is defined as one hundred thousand dollars. Provisions of law pertaining to applications in 2005 have been removed from the statute.

Subsection 12 specifies this section of law does not become effective until January 1, 2016. Additionally, the legislation extends the expiration date to August 28, 2025.

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.

Collections & Tax Assistance 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 with CARES equipment.

OA-ITSD will need to reactivate and update the MO Homestead Tax Credit application. This application has been inactive for years, and will need to be brought up to date and modified to

ASSUMPTION (continued)

handle current Homestead Credit claims under the new legislation. This will require 1,344 hours of IT consultation for an estimated cost of \$100,800.

This proposal requires an appropriation before the credit can be claimed and it is unclear how many credits would be claimed. **Oversight** will assume DOR could 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 DOR could request additional resources through the budget process.

Officials at the **Office of the Secretary of State (SOS)** assume 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 this fiscal note to 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, 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 our office can sustain with our core budget. Therefore, we reserve 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.

Officials at the **St. Louis County Executive's Office**, the **State Treasurer's Office** and the **Joint Committee on Administrative Rules** each assume there is no fiscal impact to their respective organizations from this proposal.

**Oversight** assumes this credit previously sunset on June 28, 2010. This proposal extends this tax credit beginning on January 1, 2016 (FY 2016) and therefore Oversight will reflect a loss to state revenue for the credits issued in FY 2017 and FY 2018 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 transfers of the average amount issued over the last five years of the previous program (\$1,453,892) if an appropriation is made.

In response to a similar bill from this year (SB 77), officials at the **State Tax Commission** stated there would be no fiscal impact to the Tax Commission. However, the impact to political

ASSUMPTION (continued)

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

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>GENERAL REVENUE</b>			
<u>Transfer Out</u> - Local Political Subdivisions - extension of the Homestead Preservation Tax Credit	\$0	(\$1,453,892)	(\$1,453,892)
<u>Costs</u> - Department of Revenue - one time programming costs to the Homestead Tax Credit application	<u>\$0</u>	<u>(\$100,800)</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b><u>(\$1,554,692)</u></b>	<b><u>(\$1,453,892)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>LOCAL POLITICAL SUBDIVISIONS FUNDS</b>			
<u>Transfer In</u> - reimbursement of the Homestead Preservation Tax Credit	\$0	\$1,453,892	\$1,453,892
<u>Revenue Reduction</u> - property tax loss	<u>\$0</u>	<u>(\$1,453,892)</u>	<u>(\$1,453,892)</u>
<b>NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

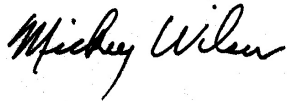
This act reauthorizes the Homestead Preservation Act tax credit program which provided a property tax credit for qualified senior citizens and disabled individuals until it expired on August 28, 2010. This program is reauthorized beginning with the 2016 tax year and will sunset on December 31, 2025.

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 2016, 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

State Treasurer's Office  
Joint Committee on Administrative Rules  
St. Louis County Executive's Office  
Office of Administration's Division of Budget and Planning.  
Office of the Secretary of State



Mickey Wilson, CPA  
Director  
January 22, 2015

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