COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4048-01
Bill No.: SB 634
Subject: Tax Credits; Taxation and Revenue-Property
Type: Original
Date: December 30, 2015

Bill Summary: This proposal reauthorizes the Missouri Homestead Preservation tax credit program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	$0	($1,554,656)	($1,453,892)
Total Estimated Net Effect on General Revenue	**$0**	**($1,554,656)**	**($1,453,892)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	**0**	**0**	**0**

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government*	**$0**	**$0**	**$0**

*Transfers in and costs net to zero

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Revenue** (**DOR**) assume this legislation reauthorizes "The Missouri Homestead Preservation Act." This proposal creates an effective date of January 1, 2017, and removes language pertaining to the "base year" of 2006. In addition, the proposal removes provisions that pertain to applications dating back to 2004. The provisions of this legislation expire six years after the effective date.

The General Assembly is required to appropriate the funds for this program. The Department cannot issue Homestead Preservation tax credits without an appropriation. Between 2005 and 2011, when legislation authorized this credit, the General Assembly appropriated as much as $2.5 million for the credit. An average of 7,918 taxpayers received the credit per year, with an average of $1.6 million awarded.

Personal Tax must create forms and have ITSD-DOR make programming changes to the Homestead Preservation credit system. DOR estimates 1,343.52 hours at $75 an hour for a total cost of $100,764.

Personal Tax also requires one Temporary Tax Employee for every 10,705 claims filed and one Revenue Processing Technician I for every 5,000 error corrections.

Collections & Tax Assistance anticipates receiving additional customer contacts regarding this credit. Collections & Tax Assistance requires one Tax Collection Technician I for contacts on the non-delinquent tax line with CARES equipment.

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 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 **Office of Administration's Division of Budget and Planning** (**BAP**) assume this proposal renews the expired Homestead Preservation Credit beginning in tax year 2017. 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 in relation to the amount of funds the state pays to locals. 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.

ASSUMPTION (continued)

The General Assembly appropriated $2.6 million for this program in FY10, and $0.8 million in FY11. If the General Assembly chooses to fund this tax credit at FY10 levels, the state will pay $2.6 million General Revenue to local governments. BAP assumes a range from $0 to $2.6 million General Revenue dependent upon 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 **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 **Office of the State Treasurer** and the **Joint Committee on Administrative Rules** each assume no fiscal impact from this proposal to their respective organizations.

Officials at **Mississippi County** and **St. Louis County** each assume no fiscal impact from this proposal to their respective organizations.

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 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

ASSUMPTION (continued)

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, 2017 (FY 2017) and therefore Oversight will reflect a loss to state revenue for the credits issued in FY 2018 and FY 2019 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 transfers as 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 counties: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Cole, Cooper, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, Shelby, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

FISCAL IMPACT - State Government	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
Transfer Out - Local Political Subdivisions - extension of the Homestead Preservation Tax Credit	$0	($1,453,892)	($1,453,892)
Costs - Department of Revenue - one time programming costs to the Homestead Tax Credit application	$0	($100,764)	$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0**	**($1,554,656)**	**($1,453,892)**

FISCAL IMPACT - Local Government	FY 2017 (10 Mo.)	FY 2018	FY 2019
LOCAL POLITICAL SUBDIVISIONS FUNDS			
Transfer In - reimbursement of the Homestead Preservation Tax Credit	$0	$1,453,892	$1,453,892
Revenue Reduction - property tax loss	$0	($1,453,892)	($1,453,892)
NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS FUNDS	**$0**	**$0**	**$0**

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 2017 tax year and will sunset on August 28, 2022.

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

Department of Revenue
Office of Administration's Division of Budget and Planning
Office of the Secretary of State
State Tax Commission
Office of the State Treasurer
Joint Committee on Administrative Rules
Mississippi County
St. Louis County

Mickey Wilson, CPA
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December 30, 2015

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