

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4095-01
Bill No.: SB 692
Subject: Bonds - General Obligation and Revenue; Housing; Tax Credits
Type: Original
Date: December 31, 2015

Bill Summary: This proposal changes the maximum authorization on low-income housing project tax credits from \$6 million to \$12 million.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0	Up to (\$6,000,000)	Up to (\$6,000,000)
Total Estimated Net Effect on General Revenue	\$0	Up to (\$6,000,000)	Up to (\$6,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> 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

FISCAL ANALYSIS

ASSUMPTION

The Missouri Low Income Housing Tax Credit (MOLIHTC) is a ten-year state tax credit available to qualified owners of affordable rental housing. The MOLIHTC generates equity investments from the private sector for the development of new or rehabilitated rental housing which enables owners to lower rents to affordable levels for low-income families. A qualified development is one that rents at least 20% of its units to families earning 50% of the area median family income or rents at least 40% of its units to families earning 60% of area median family income, each adjusted for family size. The development must (a) meet a demonstrated need for affordable rental housing in the community, (b) be economically feasible, (c) leverage tax credits with other financing, (d) demonstrate local support, and (e) provide affordable rental housing for qualified low-income Missourians for an extended period of time.

The amount of the MOLIHTC allocated to a given housing development is directly related to the percentage of low-income housing units made available to qualified low-income families and the acquisition, construction or rehabilitation expenditures necessary to create the development, less land and non-depreciable costs. There are two types of MOLIHTCs: 9% and 4%. Developments compete annually for the 9% Missouri LIHTC. Developments receiving an allocation of tax-exempt bond-financing from the Department of Economic Development may apply to receive the 4% MOLIHTC. The maximum amount of MOLIHTC that can be issued for any development is 100% of the federal LIHTC issued for the development.

Officials at the **Department of Economic Development** state currently the 4% Missouri Housing Development Commission's Low Income Housing Tax Credit (MOLIHTC) is capped at \$6 million authorizations per year (\$60 million factoring in the full ten year credit). This legislation increases that annual cap to \$12 million authorizations per year (\$120 million factoring in the full ten year credit). There is no specific effective date laid out in the legislation, so the change, if it were to pass, would impact Missouri Housing Development Commission funding decisions beginning in FY 2017.

Officials at the **Office of Administration's Division of Budget and Planning** assume this proposal would increase the current cap on the Missouri low-income housing tax credit from \$6,000,000 to \$12,000,000 per fiscal year. This proposal could therefore reduce General and Total State Revenues by up to \$6,000,000 annually.

Officials at the **Department of Revenue** assume this legislation increases the amount authorized for projects financed through tax-exempt bonds from \$6 million annually to \$12 million annually.

ASSUMPTION (continued)

Officials at the **Joint Committee on Administrative Rules** 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 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 it would take a year or more for the projects to be built and chosen, therefore, Oversight will show no fiscal impact in FY 17 and will show the fiscal impact in FY 18 and FY 19 as up to \$6,000,000 which is the difference between the current \$6,000,000 authorization and the proposed \$12,000,000 authorization.

<u>FISCAL IMPACT - State Government</u>	FY 2017	FY 2018	FY 2019
	(10 Mo.)		
GENERAL REVENUE			
<u>Revenue Reduction - increase</u>			
authorization on low-income housing		Up to	Up to
projects from \$6 million to \$12 million	<u>\$0</u>	<u>(\$6,000,000)</u>	<u>(\$6,000,000)</u>
ESTIMATED NET EFFECT ON		Up to	Up to
GENERAL REVENUE	<u>\$0</u>	<u>(\$6,000,000)</u>	<u>(\$6,000,000)</u>

FISCAL IMPACT - Local Government

FY 2017
(10 Mo.)

FY 2018

FY 2019

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

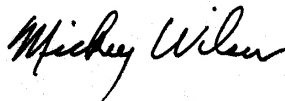
FISCAL DESCRIPTION

Currently, no more than \$6 million in tax credits may be authorized each year for low-income housing projects through tax-exempt bond issuance. This act changes this \$6 million maximum authorization to \$12 million.

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

Office of Administration's Division of Budget and Planning
Department of Economic Development
Department of Revenue
Joint Committee on Administrative Rules
Office of the Secretary of State



Mickey Wilson, CPA
Director
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Ross Strobe
Assistant Director
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