

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5044-01
Bill No.: SB 690
Subject: Housing; Taxation and Revenue - Property; Tax Credits; Veterans
Type: Original
Date: December 31, 2015

Bill Summary: This proposal establishes a tax credit for providing certain low-income veterans with housing.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$90,337 to \$6,090,337)	\$0 to (\$6,000,000)	\$0 to (\$6,000,000)
Total Estimated Net Effect on General Revenue	(\$90,337 to \$6,090,337)	\$0 to (\$6,000,000)	\$0 to (\$6,000,000)

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

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 6 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

Officials at the **Department of Revenue (DOR)** assume the provisions of this legislation authorize a taxpayer owning interest in a qualified Missouri project to receive the Missouri veteran's low-income housing tax credit in an amount determined by the Missouri Housing Development Commission up to an amount equal to the federal low-income housing tax credit. Subsection 3 restricts the maximum amount of tax credits to \$6 million per fiscal year for projects financed through tax-exempt bonds.

§135.1710 requires the owner of the project to submit an eligibility statement with the owner's return. If the statement does not accompany the return, the taxpayer receives no credit until they provide a copy to the Department. This section also provides provisions for recapture.

Personal Tax requires one Revenue Processing Technician I for every 6,000 claims processed. The section also requires form changes. Corporate Tax requires one Revenue Processing Technician I for every 4,000 tax credits redeemed. This section also requires form changes.

The integrated tax system incurs additional costs of \$65,146 to implement the provisions of this legislation.

DOR also anticipates form and programming changes at a rate of \$75 per hour for 335.88 hours for a cost of \$25,191.

Oversight assumes there will not be enough tax returns filed to justify additional FTE's for DOR. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Officials at the **Department of Economic Development's Missouri Housing Development Commission** assume this proposal creates a new low income housing tax credit (LIHTC) for veteran's housing developments beginning in FY 2017 with an annual cap on authorizations of \$6 million (\$60 million factoring in the full ten year credit). It does not modify the existing LIHTC program; the estimated impact will begin in FY 2017.

Officials at the **Office of Administration's Division of Budget and Planning** assume this proposal would create a tax credit for individuals, firms, or corporations who own a qualified low-income building that has been classified as a veteran's low-income housing project by the Missouri Housing Development Commission. Taxpayers can claim a tax credit for projects

financed through tax-exempt bond issuance, up to an amount equal to the federal low-income ASSUMPTION (continued)

housing tax credit, for any project placed in service after January 1, 2016. The credits have a carry-back provision of up to three prior taxable years and a carry-forward provision for five subsequent taxable years. The tax credits are capped at \$6,000,000 annually. This proposal could therefore reduce General and Total State Revenues by this amount annually.

Officials at the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** assume an unknown reduction of premium tax revenues as a result of the creation of the Missouri veteran's low-income housing tax credit is possible. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

DIFP anticipates form and programming changes to the Premium Tax Credit system at a rate of \$75 an hour for 56 hours for a cost of \$4,212.

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

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.

ASSUMPTION (continued)

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.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Revenue Reduction</u> - creation of tax credit in §135.1705	\$0 to <u>(\$6,000,000)</u>	\$0 to <u>(\$6,000,000)</u>	\$0 to <u>(\$6,000,000)</u>
<u>Cost - DOR</u>			
Integrated System Changes	(\$65,146)	\$0	\$0
Programming	<u>(\$25,191)</u>	<u>\$0</u>	<u>\$0</u>
<u>Total Cost - DOR</u>	<u>(\$90,337)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	(\$90,337 to <u>(\$6,090,337)</u>	\$0 to <u>(\$6,000,000)</u>	\$0 to <u>(\$6,000,000)</u>

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<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

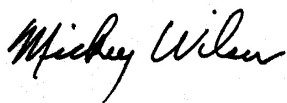
This act creates a low-income housing tax credit for certain veterans. Taxpayers may apply for a state tax credit where they provide housing with reduced rent for veterans and veteran's spouses who have low incomes.

The act limits the amount of such low-income housing tax credits to six million dollars per fiscal year. The act outlines the eligibility statement a taxpayer must file in order to qualify 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

Department of Revenue
Office of Administration's Division of Budget and Planning
Department of Insurance, Financial Institutions, and Professional Registration
Joint Committee on Administrative Rules
Office of the Secretary of State



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Director
December 31, 2015

Ross Strobe
Assistant Director
December 31, 2015