

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0362-01  
Bill No.: SB 60  
Subject: Tax Credits; Taxation and Revenue-Property  
Type: Original  
Date: January 9, 2017

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Bill Summary: This proposal re-authorizes the Missouri Homestead Preservation tax credit program.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(\$174,658)	(\$1,453,892)	(\$1,453,892)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$174,658)</b>	<b>(\$1,453,892)</b>	<b>(\$1,453,892)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<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 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<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.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Local Government*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Transfers in from General Revenue and property tax reductions net to zero.

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials at the **Office of Administration's Division of Budget and Planning (B&P)** assume this proposal renews the expired Homestead Preservation Credit beginning in tax year 2018. 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.

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. B&P 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 **Department of Revenue (DOR)** assume this proposal re-authorizes "The Missouri Homestead Preservation Act." This proposal creates an effective date of January 1, 2018, and removes language pertaining to the "base year" of 2006. In addition, the provisions that pertain to applications dating back to 2004 are removed. 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.

DOR's Personal Tax Division must create forms and have programming changes to the Homestead Preservation credit system. The Integrated Tax System requires an additional \$174,658 for programming costs to implement the provisions of this legislation. Additionally, Personal Tax would require one (1) Temporary Tax Employee for every 10,705 claims filed and one (1) Revenue Processing Technician I (\$27,185) for every 5,000 error corrections.

Collections & Tax Assistance Division anticipates receiving additional customer contacts regarding this credit. Collections & Tax Assistance requires one (1) Tax Collection Technician I (\$27,185) for contacts on the non-delinquent tax line with CARES equipment.

ASSUMPTION (continued)

**Oversight** notes a significantly high percentage of income tax returns are prepared online, electronically, or by paid preparers, and assumes there would not be a significant number of additional work resulting from the changes in this proposal. Oversight assumes existing DOR staffing would be adequate to implement this proposal. If unanticipated additional cost are incurred or if multiple proposals are implemented that increase DOR costs or the workload for DOR employees, resources could be requested through the budget process.

Officials at the **State Tax Commission** assume there is no direct fiscal impact to the Commission. However, the estimate of the impact of Homestead Preservation Act is based on the years which the program was authorized and funded by the state 2005-2009 which is as follows:

2005 - 18,069 valid applications, total HPC credit \$2,927,750  
2006 - 4,826 valid applications, total HPC credit \$1,031,017  
2007 - 1,650 valid applications, total HPC credit \$87,919  
2008 - 10,992 valid applications, total HPC credit \$2,450,012  
2009 - 4,055 valid applications, total HPC credit \$772,757

The impact to the State of Missouri would vary depending on the market valuation of the property, and whether the 5% (assessment year) and 2.5% (non-assessment year) thresholds of the act are met.

**Oversight** assumes this credit previously sunset on June 28, 2010. This proposal extends this tax credit beginning on January 1, 2018 (FY 2018) and therefore Oversight will reflect a loss to state revenue for the credits issued in FY 2019 and FY 2020 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 **Joint Committee on Administrative Rules** and the **Office of the State Treasurer** each assume there is no fiscal impact from this proposal to their respective organization.

Officials at the **Callaway County** and **St. Louis County** each assume there is no fiscal impact from this proposal to their respective county.

ASSUMPTION (continued)

Officials at the **Jackson County Board of Election Commission, Platte County Board of Election Commission** and the **St. Louis County Board of Election Commission** each assume there is no fiscal impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
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**GENERAL REVENUE**

<u>Transfer Out</u> - Local Political Subdivisions - extension of the Homestead Preservation Tax Credit	\$0	(\$1,453,892)	(\$1,453,892)
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<u>Cost</u> - DOR - computer upgrades	<u>(\$174,658)</u>	<u>\$0</u>	<u>\$0</u>
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<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(\$174,658)</u></b>	<b><u>(\$1,453,892)</u></b>	<b><u>(\$1,453,892)</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
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**LOCAL POLITICAL SUBDIVISIONS FUNDS**

<u>Transfer In</u> - reimbursement of the Homestead Preservation Tax Credit	\$0	\$1,453,892	\$1,453,892
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<u>Revenue Reduction</u> - property tax loss	<u>\$0</u>	<u>(\$1,453,892)</u>	<u>(\$1,453,892)</u>
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<b>NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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FISCAL IMPACT - Small Business

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

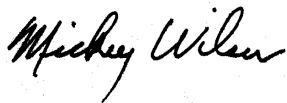
### FISCAL DESCRIPTION

This act re-authorizes 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 re-authorized beginning with the 2018 tax year.

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

Callaway County  
Department of Revenue  
Jackson County Board of Election Commission  
Joint Committee on Administrative Rules  
Office of Administration  
Division of Budget and Planning  
Office of the State Treasurer  
Platte County Board of Election Commission  
State Tax Commission  
St. Louis County  
St. Louis County Board of Election Commission



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January 9, 2017

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