

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2360-01  
Bill No.: HCB 3  
Subject: Elderly; Tax Credits; Taxation and Revenue - Property; Department of Revenue;  
 State Treasurer  
Type: Original  
Date: March 10, 2017

Bill Summary: This proposal would create the Missouri Senior Services Protection Fund, remove rent constituting property taxes from eligibility for the senior citizens property tax credit, and dedicate the resulting savings to the fund.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue *	(\$52,000,000)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$52,000,000)</b>	<b>\$0</b>	<b>\$0</b>

\* Net of additional revenue and transfers.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Missouri Senior Services Protection	Unknown	Unknown	Unknown
<b>Total Estimated Net Effect on Other State Funds</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

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

## FISCAL ANALYSIS

### ASSUMPTION

**Oversight** was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Officials from the **University of Missouri - Economic and Policy Research Center (EPARC)** assume this proposal would create the Missouri Senior Services Protection Fund. The proposal would eliminate the renters' portion of the Senior Citizens Property Tax Credit. Beginning in FY 2018 the proposal would require a transfer from the General Revenue Fund to the newly created Missouri Senior Services Protection Fund an amount equivalent to the property tax credit claimed by renters in FY 2016.

Using 2015 income tax data, EPARC officials estimated the renters' portion of the Senior Citizens Property Tax Credit at \$52,401,137.

Conclusion: By eliminating the renters' portion of the Senior Citizens Property Tax Credit, this proposal would increase Net General Revenue by \$52,401,137. In fiscal year 2018, the proposal would also require the transfer of \$52,401,137 from the General Revenue Fund to the newly created Missouri Senior Services Protection Fund, reducing Net General Revenue by \$52,401,137. In total, we estimate Net General Revenue to remain unchanged by this bill.

**Oversight** assumes the EPARC estimate is the best available and will use that number in our fiscal note, rounded for convenience.

**Oversight** also notes the elimination of the renters' portion of the Senior Citizens Property Tax Credit would be effective beginning August 2017 and would first affect 2018 tax returns which would be filed beginning January 2019 (FY 2019). The proposal would require a transfer in FY 2018 equal to the 2016 renters' portion.

ASSUMPTION (continued)

Officials from the **Office of Administration - Division of Budget and Planning (B&P)** assume this proposal would eliminate the renter portion of the Senior Citizen Property Tax Credit (PTC). This proposal would also create the "Missouri Senior Service Protection Fund" (SSPF). Beginning in FY 2018, the Department of Revenue would be required to transfer the amount of the renters' portion of the PTC claimed in FY 2016 into the SSPF. Moneys in the funds could then be appropriated by the General Assembly.

Based on information provided by the Department of Revenue, there were \$56.3 million in PTC claims filed by renters in FY 2016. Therefore, B&P estimates that this proposal would increase Total State Revenue and General Revenue by \$56.3 million annually and that \$56.3 million would be transferred to the SSPF annually beginning in FY 2018.

Officials from the **Department of Revenue (DOR)** assume in FY 2016, there were approximately 98,400 renters that received \$56.3 million in refunds that would no longer receive the credit. The legislation would require a transfer of that amount from the General Revenue Fund to the Missouri Senior Services Protection Fund creating a positive impact on Total State Revenue. DOR assumes this proposal would not have a fiscal impact on the Department.

Officials from the **Department of Health and Senior Services** and the **Department of Social Services** assume this proposal would have no fiscal impact to their organizations.

Officials from the **Office of the State Treasurer (STO)** assume this proposal would have a fiscal impact to their organization.

STO officials assume the proposed requirement for the STO to approve disbursements would require the addition of a half-time Accountant I and a full-time Account Clerk II to review, approve and process the disbursements. The cost, including the additional employees and related benefits, equipment, and expenses totaled \$118,812 for FY 2018, \$80,357 for FY 2019, and \$81,161 for FY 2020.

**Oversight** will assume for fiscal note purposes the requirement for the STO to approve disbursements would be considered a formality and any expenditures resulting from this proposal would be processed in the same way as other state expenditures at no additional cost to the state.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
<b>GENERAL REVENUE FUND</b>			
<u>Additional Revenue</u> - DOR			
Renters' portion of property tax credit repealed			
Section 135.010, 135.025, and 135.030	\$0	\$52,000,000	\$52,000,000
<u>Transfer</u> - Missouri Senior Services Protection Fund			
Section 135.025	<u>(\$52,000,000)</u>	<u>(\$52,000,000)</u>	<u>(\$52,000,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$52,000,000)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>MISSOURI SENIOR SERVICES PROTECTION FUND</b>			
<u>Transfer</u> - General Revenue Fund			
Section 135.025	\$52,000,000	\$52,000,000	\$52,000,000
<u>Expenditures</u> - Services for low income seniors and disabled persons			
Section 135.025	<u>(Up to \$52,000,000)</u>	<u>(Up to \$52,000,000)</u>	<u>(Up to \$52,000,000)</u>
<b>ESTIMATED NET EFFECT ON MISSOURI SENIOR SERVICES PROTECTION FUND</b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<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.

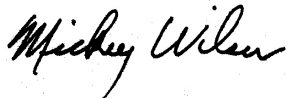
FISCAL DESCRIPTION

This proposal would create the Missouri Senior Services Protection Fund, eliminate the senior citizen property tax relief credit for renters, and require an annual transfer from the General Revenue Fund to the newly created fund.

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 the State Treasurer  
Office of Administration  
    Division of Budget and Planning  
Department of Health and Senior Services  
Department of Revenue  
Department of Social Services  
University of Missouri  
    Economic and Policy Analysis Research Center



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March 10, 2017

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March 10, 2017