

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2360-01
Bill No.: Perfected HCB 3
Subject: Elderly; Tax Credits; Taxation and Revenue - Property; Department of Revenue; State Treasurer
Type: Original
Date: March 15, 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

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue *	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

* Net of approximately \$52 million annually.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Missouri Senior Services Protection*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* Net of deposits and expenditures of approximately \$52 million annually.

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
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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. After discussion with the Department of Revenue, Oversight assumes the changes would impact the calendar 2017 tax returns which would be filed beginning January 2018 (FY 2018). The proposal would require a deposit in FY 2018 equal to the 2016 renters' portion.

Oversight will also assume all monies deposited into the Missouri Senior Services Protection Fund will be spent in the same year.

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 SSPF 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.

House Amendment 1 states that the amounts shall be deposited in the new fund.

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

Additional Revenue - DOR

Renters' portion of property tax credit repealed

Section 135.010, 135.025, and 135.030	\$52,000,000	\$52,000,000	\$52,000,000
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Foregone Revenue -

Section 135.025.3	<u>(\$52,000,000)</u>	<u>(\$52,000,000)</u>	<u>(\$52,000,000)</u>
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**ESTIMATED NET EFFECT ON
GENERAL REVENUE FUND**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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**MISSOURI SENIOR SERVICES
PROTECTION FUND**

Deposit -

Section 135.025.3	\$52,000,000	\$52,000,000	\$52,000,000
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Expenditures - Services for low income seniors and disabled persons

Section 135.025.3	<u>(\$52,000,000)</u>	<u>(\$52,000,000)</u>	<u>(\$52,000,000)</u>
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**ESTIMATED NET EFFECT ON
MISSOURI SENIOR SERVICES
PROTECTION FUND**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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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 proposal would create the Missouri Senior Services Protection Fund, eliminate the senior citizen property tax relief credit for renters, and require a deposit in 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



Mickey Wilson, CPA
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March 15, 2017

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March 15, 2017