

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1152-01
Bill No.: SB 208
Subject: Tax Credits
Type: Original
Date: February 18, 2019

Bill Summary: This proposal modifies provisions relating to the Senior Citizens Property Tax Credit.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	Unknown to (Unknown) or \$52,000,000	Unknown to (Unknown) or \$52,000,000	Unknown to (Unknown) or \$52,000,000
Total Estimated Net Effect on General Revenue	Unknown to (Unknown) or \$52,000,000	Unknown to (Unknown) or \$52,000,000	Unknown to (Unknown) or \$52,000,000

* **Oversight** assumes a positive unknown to negative unknown for revenue estimates until we are able to estimate revenue or verify the data and models provided. Oversight will also reflect B&P's revenue estimates for the changes to the tax rates.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Office of the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal would remove renters from the Property Tax Credit (PTC) beginning August 28, 2019. B&P notes that this would disallow the renter's portion of the credit during calendar year 2019. B&P further notes that PTC credits are not claimed until the January following the end of a calendar year. Therefore, this proposal would disallow the renter's portion of the PTC for all calendar year 2019 claims. B&P further notes that because renter portion of the language is removed, rather than having stated end date, this could disallow amended or new claims filed after August 28, 2019 for previous year's property taxes.

During FY 2018 there were 90,981 renters who claimed the PTC with total claims of \$52.0 million. Therefore, B&P estimates that this proposal will increase Total State Revenue and General Revenue by \$52.0 million annually beginning in FY 2020.

This proposal will impact the calculation under Article X, Section 18(e).

Office of the **Department of Revenue (DOR)** assume §135.010 removes subsection 3 of this section, which defines "gross rent." Within the current subsection 4 of this section (which this proposed section makes subsection 3), the words "or rented" is removed from the definition of "Homestead." Section 135.025 removes the values allowed for renter's, which would remove the ability for renters to claim and receive the Property Tax Credit.

The Department has reviewed internal data that reports the amount of Property Tax Credits issued to renters during Fiscal Year 2018 in order to propose that this legislation could increase Total State Revenue, specific to General Revenue, by an estimated \$52,000,000 each year if renters were not permitted to claim the credit. The Department estimates the number of renters to be impacted at 91,212.

Office of the **University of Missouri Economic & Policy Analysis Research Center (EPARC)** assume using 2017 income tax data, we estimate the amount of the rent constituting property taxes at \$49,059,130. This amount is the renters' portion of the Senior Citizens Property Tax Credit. By eliminating the renters' portion of the Senior Citizens Property Tax Credit, we would expect Net General Revenue to increase by \$49,059,130 annually due to credits no longer being claimed by these residents.

ASSUMPTION (continued)

Oversight notes according to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Senior Citizen Property tax credit program had the following activity (but these amounts are not broken out between claims for rent paid and claims for property taxes paid;

	FY 2016	FY 2017	FY 2018	FY 2019 (projected)	FY 2020 (projected)
Amount Redeemed	\$106,926,350	\$100,851,062	\$98,808,490	\$99,000,000	\$99,000,000

Amount Outstanding - not declared Amount Authorized but Unissued - not declared

Oversight notes that it **does not currently have the resources and/or access to state tax data** to produce an independent revenue estimate and is unable to verify the revenue estimates provided by B&P and DOR.

Oversight assumes a positive unknown to negative unknown for revenue estimates until we are able to estimate revenue or verify the data and models provided. Oversight will also reflect B&P and DOR's revenue estimates.

Oversight currently does not have the data or resources available to produce independent revenue projections, therefore Oversight uses the same assumptions for revenue growth as the FY 2020 Consensus Revenue Estimate (CRE) for revenue growth in all future years. The CRE assumes an increase in net general revenue collections of \$192.6 million for FY 2020.

Oversight notes pursuant to §143.011 - §143.022 (SBs 509 & 496 2014) if the previous fiscal year's net general revenue collections exceed the highest net general revenue collections of the three previous fiscal years by at least \$150 million, then there will be a reduction in the individual income tax rate by one-tenth of a percent and a reduction for individual income tax filers of 5% of "business income." These reductions will reduce net General Revenue collections by an estimated \$160.0 million annually. Oversight notes the proposed legislation may impact future net revenue collections and could impact future triggering of the rate reductions required under §143.011 - §143.022.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE			
<u>Revenue</u> - DOR §135.025 elimination of renters from the tax credit	Unknown to (Unknown) or <u>\$52,000,000</u>	Unknown to (Unknown) or <u>\$52,000,000</u>	Unknown to (Unknown) or <u>\$52,000,000</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE*	Unknown to (Unknown) or <u>\$52,000,000</u>	Unknown to (Unknown) or <u>\$52,000,000</u>	Unknown to (Unknown) or <u>\$52,000,000</u>

*** Oversight assumes a positive unknown to negative unknown for revenue estimates until we are able to estimate revenue or verify the data and models provided. Oversight will also reflect B&P's revenue estimates for the changes to the tax rates.**

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<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 modifies the Senior Citizens Property Tax Relief tax credit program by removing renters from eligibility, making the program applicable only to homeowners.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Revenue
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