

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3716-03
BILL NO.: SB 871
SUBJECT: Housing; Taxation and Revenue - General
TYPE: Original
DATE: February 6, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	(\$80,112)	(\$71,263 to \$100,071,263)
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$80,112)	(\$71,263 TO \$100,071,263)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Health** assume this proposal would not fiscally impact their agency.

Missouri Housing Development Commission (MHDC) officials assume one Senior Housing Development Officer and one Clerk Typist III would be needed to administer the tax credit. MHDC also assumes that they would require the applicant to contract with a Department of Health licensed lead inspector to perform on-site inspections, do testing, work write-ups, and certify compliance on the property.

MHDC states the Senior Housing Development Officer would be responsible for the overall administration of the tax credit program including reviewing documentation submitted to verify the cost of abatement activities, confirming the qualifications of the inspector, and determining the appropriate amount of tax credit for each home depending upon location. The Clerk Typist would be responsible for assisting the Senior Housing Development Officer with the processing of a very large number of applications. MHDC states the inspectors would be required to do preliminary testing and develop work write-ups on each home in advance, certify that abatement activities had been performed in accordance with Department of Health regulations, and certify that abatement costs were necessary and reasonable.

MHDC assumes that personal services and expense and equipment are not included in the Department of Economic Development's budget, there would be no fiscal impact on the General Revenue Fund. However, there would be costs to MHDC associated with the two additional FTEs needed to administer this new program.

Oversight assumes the MHDC positions would be funded from the General Revenue Fund.

Department of Revenue (DOR) officials state the number of taxpayers eligible for this credit is unknown at this time. The Division of Taxation, Personal Tax Bureau, would need one (1) temporary tax season employee (\$8.00 an hour) for every 130,000 returns filed (key entry) and one (1) Tax Processing Technician I for every 2,000 credits claimed to process these credits. One (1) Tax Processing Technician I would be needed for every 3,000 additional pieces of correspondence generated by this proposal. The Division of Taxation, Business Tax Bureau, would need one (1) Tax Processing Technician I for every 3,680 credits claimed.

DOR states the proposal would require modifications to the individual and corporate income tax
ASSUMPTION (continued)

system. The Division of Taxation and Collections estimates the modifications, including programming changes, would require 1,384 hours of overtime at a cost of \$41,617. Modifications to the income tax return and schedules would be completed with existing resources. State Data Center charges would increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 would be requested for implementation costs and \$451 for ongoing costs per year.

Oversight assumes DOR would be able to make the absorb these costs with existing resources.

Office of Administration - Division of Budget and Planning officials state they have no data available to estimate the fiscal impact of this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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GENERAL REVENUE FUND

Costs - Missouri Housing Development
 Commission

Personal services	\$0	(\$52,699)	(\$54,016)
Fringe benefits	\$0	(\$16,205)	(\$16,610)
Expense and equipment	<u>\$0</u>	<u>(\$11,208)</u>	<u>(\$637)</u>
Total <u>Costs</u> - MHDC	<u>\$0</u>	<u>(\$80,112)</u>	<u>(\$71,263)</u>

Costs - General Revenue Fund

Tax credits claimed	<u>\$0</u>	<u>\$0</u>	<u>\$0 to</u> <u>(\$100,000,000)</u>
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**ESTIMATED NET EFFECT ON
 GENERAL REVENUE**

<u>\$0</u>	<u>(\$80,112)</u>	<u>(\$71,263 to</u> <u>\$100,071,263)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

L.R. NO. 3716-03
BILL NO. SB 871
PAGE 4 OF 4
February 6, 2000

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

DESCRIPTION

This proposal would allow taxpayers to claim a tax credit for the cost of lead abatement. Taxpayers over the poverty level may claim 50% of their expenses, while those in census tracts under the poverty level may claim a 100% credit. The maximum amount the taxpayer could claim in any given year would be \$50,000. Any tax credit could not be claimed in the year the abatement expenses were incurred would be carried over to the next four succeeding years. The tax credit would be administered by the Missouri Housing Development Commission (MHDC). A taxpayer wishing to claim the credit would submit an application to the MHDC along with a letter of compliance issued by a licensed inspector showing that the taxpayer has complied with the lead abatement law of Sections 701.300 to 701.338, RSMo. The maximum amount of tax credits that could be claimed in any fiscal year is \$100,000,000. The tax credit would become effective January 1, 2002.

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 Administration
Division of Budget and Planning
Department of Revenue
Department of Health
Department of Economic Development
Missouri Housing Development Commission



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Director
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