

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2914-02
Bill No.: SB 864
Subject: Taxation and Revenue
Type: Original
Date: February 2, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$163,023)	(\$58,910 to \$2,058,910)	(\$60,383 to \$2,060,383)
Total Estimated Net Effect on General Revenue Fund	(\$163,023)	(\$58,910 to \$2,058,910)	(\$60,383 to \$2,060,383)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Childhood Lead Testing Fund	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown	Unknown	Unknown

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the State Treasure** assume the proposal would not fiscally impact their agency.

Officials from the **Department of Economic Development (DED)** state the program requires the issuance of up to \$2 million in tax credits annually. The credits would affect TSR when they are redeemed by taxpayers, which could be in the year issued or up to five years thereafter. DED assumes the administration of the program will require one FTE Economic Incentive Specialist II (at \$38,088 annually) and one-half FTE Account Clerk II (at \$23,784 annually) plus related expenses. DED assumes that no credits would be redeemed until FY 2007 since they would not be issued until the second half of FY 2006, therefore, the FTE would not start until the middle of FY 2006.

DED assumes the cost of the FTE and related expenses to be roughly \$83,000 in FY 2006 and \$117,000 per year thereafter.

Oversight has, for fiscal note purposes only, changed the starting salary for the Economic Incentive Specialist II to correspond to the actual salary per the Missouri Official Manual for

ASSUMPTION (continued)

comparable positions within DED. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight assumes the DED would be able to administer the new tax credit program without the one-half FTE Account Clerk II and have not reflected that position's cost in the fiscal note.

Oversight also assumes that since this proposal states the tax credit program will be for all tax years ending on or after December 31, 2005, that DED will need the FTE for the latter six months of FY 2005.

Officials from the **Department of Revenue (DOR)** state the proposal would have the following administrative impact on their department:

Section 135.113 - Legislation enacts a tax credit on the individual income tax and corporate tax returns. Personal Tax will need 1 Tax Processing Tech for every 4,000 credits claimed on the return. MINITS and COINS will need to be modified to allow for the additional credit in the system. MINITS will take 4 programmers 2 months and COINS will take 2 programmers 2 months to program and test the systems for all applicable situations, for a projected cost of \$69,255. Forms will need to be modified but this will be done on the year end printing.

Section 143.603 - Legislation enacts another check off on the individual and corporate returns. Taxation will need to add a line on the tax returns and modify the MINITS and the COINS systems and the PC systems to allow for the transfer of the donations to the Childhood Lead Testing Fund. Additional key entry will be needed to key the donation line - it is estimated that 3 Tax Season Temporaries will be needed to handle this job function. It is also estimated that 1,730 hours of programming will be need on the project for a cost of \$57,712.

Oversight assumes the DOR could absorb the additional duties, besides the additional programming, placed upon them by the tax credit program as well as the check-off. However, if the program is highly utilized, DOR may need the additional FTE as stated above.

Officials from the **Department of Health and Senior Services (DOH)** state that if the \$1 refund designations to the childhood lead testing fund happens to any great degree, the funds will be used to strengthen and increase the existing childhood lead poisoning prevention program. DOH assumes the proposal will result in an unknown amount of revenue to the Childhood Lead Testing Fund.

ASSUMPTION (continued)

Officials from the **Office of Administration - Budget and Planning (BAP)** state this proposal creates the "Lead Abatement Tax Credit Program" with an annual cap of two million dollars per fiscal year. This program allows any taxpayer who incurs costs for the purpose of abating any lead contamination on property intended for a dwelling to claim a tax credit in an amount equal to the lesser of fifty percent of any associated costs or five thousand dollars per dwelling. This part of the proposal will have a negative impact on Total State Revenue and General Revenue.

This proposal also creates a one-dollar check-off designated for the Childhood Lead Testing fund. BAP assumes this part of the proposal will have a positive unknown impact on Total State Revenue.

Officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Department of Health's, Director of Revenue's and the Department of Economic Development's authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 12 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 18 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal are estimated to be \$738, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal, however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

According to the Children's Trust Fund, their tax check-off on Missouri's tax returns brought forth donations of \$151,791 in 2000, \$157,531 in 2001, \$158,294 in 2002 and \$167,873 in 2003.

This proposal may decrease Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE			
<u>Income</u> - Donations from the check-off for the childhood lead testing fund	Unknown	Unknown	Unknown
<u>Costs</u> - Department of Revenue (DOR)			
Programming for tax credit program	(\$69,255)	\$0	\$0
Programming for check-off	(\$57,712)	\$0	\$0
Total Costs - DOR	<u>(\$126,967)</u>	<u>\$0</u>	<u>\$0</u>
<u>Costs</u> - Department of Economic Development (DED)			
Personal Service (1 FTE)	(\$16,082)	(\$32,969)	(\$33,793)
Fringe Benefits	(\$6,658)	(\$13,649)	(\$13,990)
Expense and Equipment	<u>(\$13,316)</u>	<u>(\$12,292)</u>	<u>(\$12,600)</u>
Total Costs - DED	<u>(\$36,056)</u>	<u>(\$58,910)</u>	<u>(\$60,383)</u>
<u>Loss</u> - lead abatement tax credit program	\$0	\$0 to (\$2,000,000)	\$0 to (\$2,000,000)
<u>Transfer Out</u> to Childhood Lead Testing Fund	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$163,023)</u>	<u>(\$58,910 TO \$2,058,910)</u>	<u>(\$60,383 TO \$2,060,383)</u>
CHILDHOOD LEAD TESTING FUND			
<u>Transfer In</u> - from General Revenue for check-off	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT TO THE CHILDHOOD LEAD TESTING FUND	<u>UNKNOWN</u>	<u>UNKNOWN</u>	<u>UNKNOWN</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<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.

DESCRIPTION

This proposal creates a tax credit for the abatement of lead contamination and designates a dollar check-off on the Missouri income tax return for the Childhood Lead Testing Fund.

This proposal creates the "Lead Abatement Tax Credit Program", which allows a tax credit for costs incurred for the abatement of lead contamination in an individual's dwelling. The amount of the tax credit shall be equal to the lesser of 50% of the costs or \$5,000 per dwelling. However, the aggregate amount of these credits shall not exceed \$2 million dollars. These credits shall be transferrable and negotiable, but non-refundable. This program shall apply to all tax years ending on or after December 31, 2005.

The Director of the Department of Economic Development shall determine what the eligible costs are for the credit to be claimed. Eligible costs will be limited to the reasonable costs for abating the property and returning the dwelling to a substantially similar condition. Rule-making authority is given to the Director of the Department of Economic Development, who must consult with the Directors of the Departments of Health and Senior Services and Revenue.

A new Section 143.603 creates a one dollar check-off on the Missouri income tax return. The money designated by the check-off will be deposited into the Childhood Lead Testing Fund, which was created in section 701.345, RSMo. The check-off of one dollar is primarily for taxpayers who are to receive a refund. However, taxpayers who owe taxes may also contribute to the fund and any taxpayer may elect to contribute more than one dollar.

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 Economic Development
Department of Revenue
Department of Health and Senior Services
Office of the Secretary of State
Office of the State Treasurer
Office of Administration - Budget and Planning



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