

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0396-01  
Bill No.: HB 175  
Subject: Elderly, Housing, Revenue Dept., Tax Credits  
Type: Original  
Date: April 13, 2011

Bill Summary: Would increase from \$14,300 to \$16,000 the minimum base used to calculate the Senior Citizens Property Tax Credit, commonly known as the Circuit Breaker.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	\$0	(More than \$7,625,705)	(More than \$7,625,705)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>(More than \$7,625,705)</b>	<b>(More than \$7,625,705)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</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 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would not result in additional costs or savings to their organization.

BAP officials stated that this proposal would increase the minimum base for the Senior Property Tax Credit. BAP does not have the data to estimate the increase in tax credits resulting from this change. BAP officials assume this proposal would reduce General and Total State Revenues.

Officials from the **Department of Revenue** (DOR) assume this proposal would increase the minimum base income limit for the program.

DOR officials stated that beginning January 1, 2012, the minimum base would be \$16,000. DOR and ITSD-DOR would need to make programming changes to the Missouri Individual Income Tax System (MINITS). DOR would also need to make forms changes.

DOR officials also assume this proposal would not result in more filers, but would increase the dollar amount of credits. Anyone with incomes below the minimum base receives the actual amount of their taxes up to \$1,100 or 20% of their rent up to \$750.

DOR officials did not indicate an estimate of the administrative cost to implement this proposal.

**Oversight** assumes DOR could implement this proposal with existing resources.

DOR officials also provided an estimate of the IT cost to implement this proposal of \$4,441 based on 168 hours of programming to make changes to DOR systems.

**Oversight** assumes ITSD-DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes ITSD-DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, ITSD-DOR could request funding through the appropriation process.

ASSUMPTION (continued)

Officials from the **University of Missouri, Economic and Policy Analysis Research Center (EPARC)** assume this proposal would, if enacted, change the income level for determining the property tax credit, otherwise known as the Senior Citizen Circuit Breaker. Specifically, the minimum base would increase from \$14,300 to \$16,000.

The EPARC baseline data for 2009 indicates that there is currently \$109,944,331 in property tax credits being claimed. Our baseline data also indicates there is an additional \$78,553,668 in potential credits that are not being claimed by qualified taxpayers. By increasing the minimum base to \$16,000 for both owners and renters, this proposal would allow current claimants to increase their property tax credit from \$109,944,331 to \$117,570,036, an increase of \$7,625,705. It would also increase the amount of credits not currently claimed by qualified taxpayers from \$78,553,668 to \$82,656,487, an increase of \$4,102,819.

The EPARC response also noted there were 121,252 current filers who were property owners and 98,269 who were renters. According to the EPARC analysis, there were an additional 321,710 owners and 3,922 renters who could file for the credit but did not. EPARC officials stated that the information provided is not a forecast of future property tax credit claims, and since they are unable to forecast the extent of taxpayer participation in this program, they were unable to calculate the impact this proposed legislation could have on the General Revenue Fund.

ASSUMPTION (continued)

**Oversight** has used the EPARC data in the following table.

Current Minimum Base	Current Claims	Potential Claims	All potential claims
Owners	\$56,061,214	\$76,865,404	\$132,926,618
Renters	\$53,883,117	\$1,688,264	\$55,571,381
All Filers	\$109,944,331	\$78,553,668	\$188,497,999

Proposed Minimum Base	Current Claims	Potential Claims	All potential claims
Owners	\$61,485,129	\$80,770,373	\$142,255,502
Renters	\$56,084,907	\$1,886,114	\$57,971,021
All Filers	\$117,570,036	\$82,656,487	\$200,226,523

	Current Claims	Potential Claims	All potential claims
Increase in Claims	\$7,625,705	\$4,102,819	\$11,728,524

**Oversight** notes that the availability of the larger credit could lead to more eligible filers claiming the credit and will assume for fiscal note purposes that the increase in tax credits would be greater than the \$7,625,705 increase in credits to current filers. Oversight also notes that this proposal would become effective for tax years beginning on or after January 1, 2012 and assumes that tax returns for those years would be filed beginning in January, 2013 (FY 2013).

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction</u> - tax credit increase	<u>\$0</u>	<u>(More than \$7,625,705)</u>	<u>(More than \$7,625,705)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>(More than \$7,625,705)</u></b>	<b><u>(More than \$7,625,705)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<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

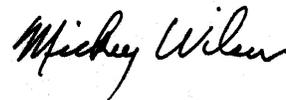
The proposed legislation would increase from \$14,300 to \$16,000 the minimum base used to calculate the Senior Citizens Property Tax Credit, commonly known as the Circuit Breaker.

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

Office of Administration  
    Division of Budget and Planning  
Department of Revenue  
University of Missouri  
    Economic and Policy Analysis Research Center



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Director  
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