

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3119-01
BILL NO.: HB 1523
SUBJECT: Taxation and Revenue-General-Income-Teachers
TYPE: Original
DATE: February 14, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$6,126,438)	(\$6,252,500)	(\$6,408,813)
Total Estimated Net Effect on <u>All</u> State Funds	(\$6,126,438)	(\$6,252,500)	(\$6,408,813)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
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 **Office of Administration - Budget and Planning** assume the Department of Elementary and Secondary Education would have the information to estimate the fiscal impact of this tax credit.

Officials from the **Department of Elementary and Secondary Education (DESE)** estimate the fiscal impact as follows:

1. Approximately 61,000 classroom teachers would be able to claim up to \$100 in expenses for instructional materials purchased and used in the course of their employment as a teacher.
2. 100% of teachers would incur expenses sufficient to claim the full amount of the credit.
3. The projected fiscal impact would be \$6,100,000 for FY 2001.
4. The number of teachers would increase by 2.5% each year. This percentage is used to project the impact for FYs 2002 and 2003.

FY 2002 \$6,252,500
FY 2003 \$6,408,813

Officials from the **Secretary of State's Office (SOS)** assume the rules, regulations and forms issued by the Department of Revenue could require as many as approximately 6 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$22.50. The estimated cost of a page in the Code of State Regulations is \$26.50. The actual costs could be more or less the SOS's estimated cost of \$361 for FY 2001. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn. **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.

Officials from the **Department of Revenue (DOR)** state the number of taxpayers eligible for this credit is unknown at this time. The Division of Taxation would need one Tax Processing Technician I for every 2,000 new credits claimed per year and one Tax Season Temporary for every 130,000 credits claimed per year. Also, one Tax Processing Technician I would be needed for every 3,000 pieces of correspondence generated from this legislation.

ASSUMPTION (continued)

This legislation would require modifications to the income tax system and credit application system. The Division of Taxation estimates these 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.

Oversight assumes the Department of Revenue would require 692 hours of overtime at a cost of \$20,808 for modifications to the income tax system. Oversight also estimates that funding for State Data Center charges would be \$5,630 for additional storage and fields to be captured.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Cost-Department of Revenue</u>			
Reprogramming Costs	(\$26,438)	\$0	\$0
<u>Loss-General Revenue Fund</u>			
Instructional Materials Credit	<u>(\$6,100,000)</u>	<u>(\$6,252,500)</u>	<u>(\$6,408,813)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$6,126,438)</u>	<u>(\$6,252,500)</u>	<u>(\$6,408,813)</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

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

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DESCRIPTION

This bill authorizes an individual income tax credit of up to \$100 for instructional materials purchased by a teacher used in the course of employment as a teacher.

The credit will apply to tax year 2000 and thereafter.

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

Department of Elementary and Secondary Education
Secretary of State
Department of Revenue
Office of Administration



Jeanne Jarrett, CPA
Director
February 14, 2000