

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 3292-01  
BILL NO.: HB 1516  
SUBJECT: Agriculture and Animals; Taxation and Revenue-General-Income  
TYPE: Original  
DATE: February 7, 2000

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$8,491)	(\$22,950,000)	(\$24,825,000)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$8,491)</b>	<b>(\$22,950,000)</b>	<b>(\$24,825,000)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<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 LOCAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

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**FISCAL ANALYSIS**

ASSUMPTION

**State Tax Commission (TAX)** officials state this proposal would give an income tax credit for personal property taxes paid on agricultural stock, equipment, etc. Those taxes total about \$25 million a year, not all of which would be eligible, since the credit does not exceed income tax liability, and some might have higher property taxes than income taxes.

Officials of the **Department of Revenue (DOR)** state this legislation authorizes a tax credit for individual taxpayers equal to the amount of personal property taxes paid on grain and other agricultural crops in an unmanufactured condition, livestock and farm machinery. The tax credit is non-refundable, but can be carried over for up to three years.

The number of taxpayers eligible for this credit is unknown at this time. The Division of Taxation will need one temporary tax season employee (a cost of \$6,067) for every 130,000 returns claiming the credit (key entry) and one Tax Processing Tech I for every 2,000 credits received (processing). The Division will also need one Tax Processing Tech I for every 3,000 pieces of correspondence received regarding the credit.

This legislation will require modifications to the individual income tax systems. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of overtime at a cost of \$41,617. Modifications to the income tax returns and schedules will be completed with existing resources.

**Oversight**, for purposes of this fiscal note, has assumed the Division of Taxation could handle the provisions of this proposal utilizing 260 hours of overtime at a cost of \$5,202, plus fringe benefits. In addition to the programming changes, Oversight has allowed \$1,689 in funding for State Data Center changes.

Officials of the **Office of Administration (COA)** state that for calendar year 1998 personal property taxes for Livestock, Farm Machinery and Grain totaled \$24.3 million. According to the State Tax Commission, personal property tax is expected to grow at 8% annually.

In a similar proposal the State Tax Commission assumed approximately 25% of taxpayers would not be eligible for the credit since the credit cannot exceed the income tax liability. **Oversight** assumes, for purposes of this fiscal note, that 25% of the taxpayers would not be eligible for the credit since the credit cannot exceed the income tax liability and therefore has reduce the estimate provided by the Office of Administration by 25%.

ASSUMPTION (continued)

Officials of the **Secretary of State (SOS)** state this bill allows a tax credit for qualified personal property tax payments. Based on experience with other divisions, 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. Costs for this proposal would be \$361.50 for FY 2001. The actual costs could be more or less than the numbers given. 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.

**This proposal could result in a decrease in Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
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**GENERAL REVENUE FUND**

<u>Loss - General Revenue Fund</u>			
Qualified personal property tax credits	\$0	(\$22,950,000)	(\$24,825,000)
<u>Cost - Department of Revenue</u>			
Reprogramming costs	(\$8,491)	\$0	\$0
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$8,491)</u></b>	<b><u>(\$22,950,000)</u></b>	<b><u>(\$24,825,000)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

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Small businesses would be expected to be fiscally impacted to the extent that they would receive tax credits for use against any income tax liability they may have.

DESCRIPTION

This bill authorizes a state income tax credit for individual income taxpayers in an amount equal to 100% of personal property taxes paid on grain and other agricultural crops in unmanufactured condition, livestock, and farm machinery. The credit will apply to all tax years beginning on and after January 1, 2001.

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

State Tax Commission  
Department of Revenue  
Office of Administration  
Office of Secretary of State



Jeanne Jarrett, CPA  
Director  
February 7, 2000