

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4038-01
BILL NO.: HB 1864
SUBJECT: Property, Real and Personal; Taxation and Revenue-General-Property
TYPE: Original
DATE: February 25, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$26,438)	(\$111,200,000)	(\$115,600,000)
Total Estimated Net Effect on <u>All</u> State Funds	(\$26,438)	(\$111,200,000)	(\$115,600,000)

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 **Department of Revenue (DOR)** did not respond to our fiscal impact request. However, in responding to a similar proposal, DOR assumed the proposal would allow an income tax credit equal to 10% of real property tax payments paid by a taxpayer for their principal residence.

The number of taxpayers eligible for this credit is unknown at this time, however, the Department anticipates the number will be substantial. The Division of Taxation will need one temporary tax season employee (a cost of \$6,067) for every 180,000 returns filed with this credit and one Tax Processing Tech I for every 3,000 pieces of correspondence received regarding the credit. The Division of Taxation will also need one Tax Processing Tech I for every 30,000 errors generated by this legislation.

This legislation will require modifications to the individual income tax system. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of contract labor at a cost of \$41,617. Modifications to the income tax returns and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs and \$1,673 for on-going 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.

Officials of the **State Tax Commission (TAX)** state Missouri taxpayers paid \$1,536,000,000 in residential property tax for the 1998 tax year. If an across the board credit in the amount of 10% is allowed, total Missouri income tax would be decrease by \$153,600,000.

Officials of the **Office of Administration (COA)** state the average residential property tax for owner occupied housing in Missouri is \$836. According to the 1990 Missouri Census of Housing approximately 61% of Missourians live in owner occupied housing. The estimate assumes that 61% of filers live in owner occupied housing, and will take the 10% property tax credit. Therefore, approximately 1,323,378 returns would take an average credit of \$84. Four percent annual growth was assumed. This would generate a revenue loss of (\$111,200,000) in FY 2002 and (\$115,600,000) in FY 2003. COA staff assumes that taxpayers will not adjust their withholdings in FY 2001 to take advantage of this proposal.

This proposal would 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 to General Revenue Fund</u>			
Additional Income tax credits	\$0	(\$111,200,000)	(\$115,600,000)

<u>Cost - Department of Revenue</u>			
Reprogramming costs	(\$26,438)	\$0	\$0

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$26,438)</u>	<u>(\$111,200,000)</u>	<u>(\$115,600,000)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
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	\$0	\$0	\$0
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FISCAL IMPACT - Small Business

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

DESCRIPTION

This bill authorizes an individual income tax credit equal to 10% of real property taxes paid by a taxpayer on residential property which is the principal residence of the taxpayer.

The bill will become effective 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

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Office of Administration

NOT RESPONDING: Department of Revenue

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with a large initial "J".

Jeanne Jarrett, CPA
Director
February 25, 2000