

COMMITTEE ON LEGISLATIVE RESEARCH
 OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0333-01
Bill No.: SB 213
Subject: Taxation - Income; Revenue Dept.; County Government
Type: Original
Date: February 5, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$275,870,867)	(\$281,407,947)	(\$287,036,696)
Total Estimated Net Effect on <u>All</u> State Funds	(\$275,870,867)	(\$281,407,947)	(\$287,036,696)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation allows a tax credit up to \$150 per taxpayer for taxes paid on residential property owned by the taxpayer. The tax credit is nonrefundable, and will be reduced by the amount of the property tax credit claimed pursuant to Section 135.010 through 135.035, RSMo. This legislation is effective for tax years beginning on or after January 1, 2001.

ADMINISTRATIVE IMPACT:

In order to process the tax credits, the Division of Taxation will need one temporary tax season employee (a cost of \$6,067) for every 75,000 returns filed with this credit and one tax season employee for every 4,000 pieces of correspondence received regarding the credit. The Division will also need one Tax Processing Tech I for every 30,000 additional errors generated by this credit.

There were approximately 2,292,957 Missouri resident returns filed in 1998. In a similar fiscal note, it was reported that 61% of Missourians live in owner occupied housing. Therefore, the Department anticipates 1,398,703 taxpayers will take the tax credit, requiring 19 additional tax season temporary employees to maintain current processing time. The additional employees needed for correspondence and new errors are unknown, and will be requested through the normal budget process.

This legislation will require modifications to the individual income tax systems. The Division of Taxation estimates these modifications, including programming changes, will require 1,730 hours of overtime at a cost of \$57,713. 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 \$11,323 is requested for implementation costs.

Oversight, for purposes of this fiscal note, has assumed DOR could handle the provisions of this proposal utilizing 519 hours of overtime at a cost of \$25,950. In addition to the programming changes, Oversight has allowed \$11,323 in funding for State Data Center changes.

Officials of the **Office of Administration - Division of Budget and Planning (BAP)** state this legislation creates an individual income tax credit for property tax paid of \$150 per return.

There are approximately 1,052,084 combined filers and 1,117,388 single resident filers in Missouri. The estimate assumes that 72% of filers will take the property tax credit. According to the 2000 third quarter Housing Vacancies and Home ownership Survey by the U.S. Census

ASSUMPTION (continued)

Bureau approximately 72% of Midwesterners live in owner occupied housing. The average

residential property tax in Missouri is \$720. BAP assumed a two percent annual growth. BAP estimates losses of \$347.9 million in FY02, \$354.9 million in FY03 and \$362 million in FY04.

According to Dr. Ed Robb of the University of Missouri, 2,608,795 returns were filed for the 1999 tax year. Out of that number, 2,183,111 returns had a tax liability. There were 145,740 out-of-state returns filed and approximately 15,000 Form MO-40 filed with a PTC return. Fifty-four percent of the PTC returns filed had property taxes paid and the remaining 46% were renters. **Oversight** assumes 84% (2,183,111/2,608,795) of income tax filers will have a tax liability, based on the 1999 returns. Using BAP's estimates and adjusting for out-of-state returns, zero tax liability returns and Form 40 returns filed with PTC for rent paid, Oversight estimates losses of \$275.8 million in FY02, \$281.3 million in FY03 and \$286.9 million in FY04.

Officials of the **Missouri Tax Commission (TAX)** assume this bill will have no fiscal impact on their agency.

This legislation will reduce total state revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
	(10 Mo.)		
GENERAL REVENUE FUND			
<u>Loss to General Revenue Fund</u>			
Residential property tax credit	(\$275,774,440)	(\$281,289,929)	(\$286,915,727)
<u>Cost - Department of Revenue</u>			
Temp. Personal Service	(\$57,570)	(\$118,018)	(\$120,969)
Programming changes	<u>(\$37,273)</u>	<u>\$0</u>	<u>\$0</u>
Total Costs - DOR	(\$94,843)	(\$118,018)	(\$120,969)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$275,870,867)</u>	<u>(\$281,407,947)</u>	<u>(\$287,036,696)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002	FY 2003	FY 2004
	(10 Mo.)		
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

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

DESCRIPTION

This act allows individual income taxpayers to claim a credit against their state income tax liability for up to \$150 of their property tax liability. The credit can be taken for the 2001 tax year 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 Revenue
Office of Administration
Division of Budget and Planning
Missouri Tax Commission



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Director

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