

COMMITTEE ON LEGISLATIVE RESEARCH
 OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0456-01
Bill No.: HB 31
Subject: Agriculture and Animals; Revenue Dept.; Taxation and Revenue-General-Income
Type: Original
Date: January 24, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$17,681)	(\$21,500,000)	(\$23,300,000)
Total Estimated Net Effect on <u>All</u> State Funds	(\$17,681)	(\$21,500,000)	(\$23,300,000)

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

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. It will result in a somewhat significant decrease in state revenue.

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 \$46,170. 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. 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 \$8,674 plus fringe benefits. In addition to the programming changes, Oversight has allowed \$9,007 in funding for the State Data Center charges.

Officials of the **Office of Administration (COA), Budget and Planning (BAP)** state that for calendar year 1999 personal property taxes for Livestock, Farm Machinery and Grain totaled \$22.8 million. According to the State Tax Commission, personal property tax is expected to grow at 8% annually and that 25% of the credit could not be used because the credit cannot exceed the taxpayers' individual income tax liability. Revenue losses are estimated to be \$21.5 million in FY03 and \$23.3 million in FY04.

ASSUMPTION (continued)

Officials of the **Secretary of State (SOS)** state this bill allows a tax credit for qualified personal property tax payments for agricultural crops and machinery. 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 \$23.00. The estimated cost of a page in the Code of State Regulations is \$27.00. Costs for this proposal would be \$375.00 for FY 2002. 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.

Officials from the **Department of Agriculture (AGR)** assume this legislation will not fiscally impact its agency.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Loss - General Revenue Fund</u>			
Qualified personal property tax credits	\$0	(\$21,500,000)	(\$23,300,000)
<u>Cost - Department of Revenue</u>			
Reprogramming costs	(\$17,681)	\$0	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(\$17,681)	(\$21,500,000)	(\$23,300,000)

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
	\$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 bill allows a taxpayer, beginning January 1, 2002, to receive a non-refundable individual income tax credit equal to the amount of personal property tax paid during the tax year on grain and other agricultural crops, livestock, and farm machinery.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

This legislation could result in a decrease in Total State Revenues.

SOURCES OF INFORMATION

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



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Director
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