

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1751-01
Bill No.: HB 643
Subject: Disabilities; Revenue Dept.; Taxation and Revenue - General and Income
Type: Original
Date: March 6, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(Unknown to \$8,118,367)	(Unknown to \$8,063,960)	(Unknown to \$8,063,960)
Total Estimated Net Effect on <u>All</u> State Funds	(UNKNOWN to \$8,118,367)	(UNKNOWN to \$8,063,960)	(UNKNOWN to \$8,063,960)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
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 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation creates a tax credit for taxpayers incurring costs for assistive technology and housing access modifications. Taxpayers with a federal adjusted gross income of less than \$30,000 will receive a refundable credit equal to 100 % of the costs, not to exceed \$2,500. Taxpayers with a federal adjusted gross income greater than \$30,000 but less than \$60,000 will receive a refundable credit equal to 50% of the costs, not to exceed \$2,500. The credits cannot be claimed if the taxpayer has already deducted the costs from the taxpayer's federal adjusted gross income or have applied any other state or federal tax credit to such costs. The taxpayer must file the credit with the taxpayer's timely income tax return.

The number of taxpayers eligible for this tax credit is unknown at this time. The Department does not have any employees with the expertise to determine whether or not a modification to the home is solely for the purpose of use by the person with the disability. Therefore, the Division of Taxation will need a Revenue Manager full time to oversee the verification and approval of this tax credit unless the certification is moved to another department such as Health or Social Services. The Division of Taxation will need one Temporary Tax Season Employee for every 37,500 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 5,000 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 overtime at a cost of \$47,582. 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.

Oversight assumes the Department of Revenue would require 908 hours of overtime at a cost of \$45,400 for modifications to the income tax system. Oversight also estimates that funding for State Data Center charges would be \$9,007 for additional storage and fields to be captured.

Office of Administration, Budget and Planning (BAP) officials have not been able to find empirical basis to estimate the fiscal impact of this proposal.

Officials of the **Office of the Secretary of State (SOS)** assume this bill creates the Independence Tax Credit. DOR shall promulgate rules to implement this bill. These rules will be published in both the *Missouri Register* and the *Code of State Regulations*. Based on experience with other divisions, the rules, regulations and forms issued by DOR could require as many as 12 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* in the Code because cost statements, fiscal notes and the like

ASSUMPTION (continued)

are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The cost is estimated at \$738. The actual cost 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 appropriations process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Health (DOH)** and the **Department of Labor and Industrial Relations (DOL)** assume this proposal would not fiscally impact their agencies.

Oversight assumes there are no statistics available on how much assistive technology expenditures are in Missouri; therefore, national data is used. Based on Table 159 (Personal Health Care Expenditures, by Object and Source of Payment: 1995) of the 1997 Statistical Abstract of the United States, the out-of-pocket payments for durable medical equipment were \$6,914,000,000. Missouri is assumed to be 1.9% of the national total. Therefore, Missouri's share is \$131,366,000. Assuming a 6% state income tax rate, the General Revenue Fund revenues would be reduced (\$7,881,960) annually for the income deduction for durable medical equipment.

Since no information or statistics were available for the modification expenses for housing access, **Oversight** estimated the revenue impact based on information received from the Kansas Department of Revenue from their Disabled Access Credit. Using the individual portion of the Kansas tax credit claims, the revenue loss to Kansas for 1999 from this credit was \$89,000. Adjusting this amount for Missouri's larger population based on the U.S. Census date, this portion of the tax credit would reduce revenue in Missouri by \$182,000.

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

<u>FISCAL IMPACT - State Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Loss to General Revenue Fund</u>	Unknown to	Unknown to	Unknown to
Independence Tax Credit Program	(\$8,063,960)	(\$8,063,960)	(\$8,063,960)

<u>FISCAL IMPACT - State Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
<u>Cost - Department of Revenue</u>			
Programming costs	(\$54,407)	\$0	\$0
Personal Service	(Unknown)	(Unknown)	(Unknown)
Fringe Benefits	(Unknown)	(Unknown)	(Unknown)
Expense and Equipment	(Unknown)	(Unknown)	(Unknown)
Total Costs - DOR	(\$54,407 to Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
 ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	 <u>Unknown to (\$8,118,367)</u>	 <u>Unknown to (\$8,063,960)</u>	 <u>Unknown to (\$8,063,960)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

Small businesses who purchase these medical devices and equipment would pay less for such items.

DESCRIPTION

This bill creates the Independence Tax Credit Program.

The bill authorizes a state individual income tax credit for purchases of certain assistive technology products, devices, and equipment by any taxpayer who purchases the equipment on behalf of an eligible disabled individual.

The tax credit will be equal to 100% of the cost of the assistive technology products, devices, and equipment if the taxpayer's federal adjusted gross income is \$30,000 or less. The tax credit will be equal to 50% of the cost if the taxpayer's federal adjusted gross income is greater than \$30,000 but less than \$60,000. The maximum credit for any one taxpayer cannot exceed \$2,500.

The tax credit applies to tax year 2001 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
 Budget and Planning
Secretary of State
Department of Health
Department of Labor and Industrial Relations
Kansas Dept. of Revenue

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is cursive and somewhat stylized, with the first name "Jeanne" written in a larger, more prominent script than the last name "Jarrett".

Jeanne Jarrett, CPA
Director
March 6, 2001