

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0663-01
Bill No.: HB 146
Subject: Elderly; Revenue Dept.; Taxation and Revenue – General; Taxation and Revenue
– Income
Type: Original
Date: March 30, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(\$718,500,000)	(\$718,500,000)	(\$718,500,000)
Total Estimated Net Effect on General Revenue Fund	(\$718,500,000)	(\$718,500,000)	(\$718,500,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials with the **State Tax Commission** assume this proposal would have no fiscal impact on their agency.

Officials with the **Department of Revenue (DOR)** assume this legislation would allow a non-carry forward—but refundable—credit for taxpayers 65 and older with MAGI of \$25,000 or less. Since it is a refundable credit, taxpayers who would not normally file returns will do so to get the refund. This will increase the number of returns filed and, therefore, the potential need for additional FTE to continue the current level of service to the taxpayers. However, DOR assumes that it can handle any additional workload created by this proposal with existing or planned personnel and resources.

Officials from the **Office of Secretary of State (SOS)** assume the proposal may result in the Department of Revenue rescinding, amending, or promulgating rules to implement the provisions of this act. These rules would be published in the Missouri Register and the Code of State Regulations. These rules could require as many as 6 pages in the Code of State Regulations and half again as many pages in the Missouri Register, as cost statements, fiscal notes, and the like are not repeated in the Code. The estimated cost of a page in the Missouri Register is \$23 and the estimated cost of a page in the Code of State Regulations is \$27. Based

on these costs, the ASSUMPTION (continued)

estimated cost of the proposal is \$369 in FY 06 and unknown in subsequent years. 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 would require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Data provided by the **University of Missouri Economic & Policy Analysis Research Center** indicates that approximately 2.4 million Missouri resident individual income tax returns filed annually. **U.S. Census Bureau** figures estimate that 13.5% of the Missouri population consists of individuals age 65 or older. Using this data, **Oversight** estimates approximately 324,000 income tax filers age 65 or older. Census data indicates that 73.92% of Americans age 65 or over had incomes of less than \$25,000. Applying such a percentage to an estimate of 324,000 tax files, **Oversight** assumes approximately 239,500 income tax filers would be eligible for the tax credit outlined in this proposal.

Oversight assumes that providing refundable tax credits of \$3,000 per taxpayer to 239,500 taxpayers would result in a loss to general revenue of \$718.5 million per year.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE			
<u>Loss</u> – Income Tax Credits	(\$718,500,000)	(\$718,500,000)	(\$718,500,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$718,500,000)</u>	<u>(\$718,500,000)</u>	<u>(\$718,500,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

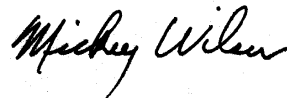
DESCRIPTION

This legislation authorizes a refundable individual income tax credit of \$3,000 for resident taxpayers who are 65 years of age or older with a Missouri adjusted gross income of \$25,000 or less. The provisions of the bill will expire six years from the effective date.

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 Secretary of State
State Tax Commission
University of Missouri
Economic & Policy Analysis Research Center
U.S. Census Bureau



Mickey Wilson, CPA
Director
March 30, 2005