

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0092-01
Bill No.: HB 39
Subject: Property, Real and Personal; Tax Credits; Taxation and Revenue - Income;
 Revenue Dept.
Type: Original
Date: February 16, 2009

Bill Summary: Would authorize an income tax credit for 50% of the cost of the construction of a storm shelter or \$1,000, whichever is less.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	\$0	\$0 to (\$2,000,000)	\$0 to (\$2,000,000)
Total Estimated Net Effect on General Revenue Fund	\$0	\$0 to (\$2,000,000)	\$0 to (\$2,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of Administration, Division of Budget and Planning** assume there would be no added cost to their organization as a result of this proposal. BAP officials stated that this proposal would provide a tax credit for the lesser of 50% of the costs or \$1,000 for the construction of a storm shelter after the year 2002. The cumulative amount of tax credits under this program could not exceed two million dollars. Therefore general and total state revenues might be reduced by up to \$2 million annually. BAP officials also stated that this proposal may cause administrative issues for the Department of Revenue; BAP defers to the Department of Revenue for estimated costs.

Officials from the **Department of Revenue (DOR)** assume this proposal would create a tax credit for the costs of building a storm shelter for all taxable years beginning on and after January 1, 2010. The credit would be equal to the lesser of \$1,000 or 50% of the incurred cost, could not exceed the taxpayer's state tax liability, would not be refundable, and could not be transferred, sold or assigned. No taxpayer could be issued more than one credit. The cumulative amount of tax credits in any fiscal year could not exceed \$2 million; if the credits exceed \$2 million DOR would apportion the available credit amount equally among all taxpayers. DOR would promulgate rules to implement the proposal.

ASSUMPTION (continued)

DOR officials stated that modifications would be required for tax forms and computer systems. Personal Tax would require one FTE Revenue Processing Technician I (Range 10, Step L) for every 6,000 credits claimed; and Collections and Tax Assistance would require one FTE Tax Collection Technician I (Range 10, Step L) for every additional 15,000 contacts annually on the delinquent tax line and one FTE Tax Collection Technician I (Range 10, Step L) for every additional 24,000 contacts annually on the non-delinquent tax line.

DOR officials also provided this estimate of the IT cost to implement the proposal.

Officials from the **Office of Administration, Information Technology Services Division** (ITSD/DOR) estimate the IT portion of this request could be implemented using one FTE existing CIT III for two months for system modifications to the MINITS system at a total cost of \$8,882. ITSD/DOR officials assume the proposal could be implemented with existing resources; however; if priorities shift, additional FTE or overtime would be needed.

DOR submitted a cost estimate to implement this proposal including three additional FTE and related equipment and expense of \$115,843, for FY 2010, \$123,257 for FY 2011, and \$126,954 for FY 2012.

Oversight notes that this proposal would provide a maximum credit for an individual filer of one thousand dollars with a maximum total credit amount of two million dollars per state fiscal year. Therefore only $(\$2,000,000/\$1,000) =$ two thousand filers could receive the full one thousand dollar credit in any one fiscal year. If more than two million dollars in tax credit claims are filed, the maximum amount would be apportioned among the filers.

Oversight could not find any information regarding the number of storm shelters constructed in Missouri. Therefore, based on the amount of tax credits available, Oversight assumes that these claims could be processed with existing resources. If unanticipated additional costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

Oversight will indicate a range of fiscal impact to the General Revenue Fund from \$0 to \$2 million.

This proposal could reduce Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE FUND			
<u>Revenue reduction</u> - tax credit for storm shelter construction.	<u>\$0</u>	<u>\$0 to (\$2,000,000)</u>	<u>\$0 to (\$2,000,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0 to (\$2,000,000)</u>	<u>\$0 to (\$2,000,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<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.

FISCAL DESCRIPTION

This proposal would authorize an income tax credit for 50% of the cost of the construction of a storm shelter or \$1,000, whichever is less.

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

Office of the Secretary of State
Office of Administration
 Division of Budget and Planning
Department of Revenue



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