COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0224-01
Bill No.: HB 35
Subject: Energy; Revenue Dept.; Taxation and Revenue - Income
Type: Original
Date: February 4, 2009

Bill Summary: Would allow taxpayers who use specified types of fuel cell or solar power to generate electricity for their residences to claim a tax deduction.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	$0	($1,620)	($1,620)
Total Estimated Net Effect on General Revenue Fund	**$0**	**($1,620)**	**($1,620)**

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 All 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) provided the following response.

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** (BAP) assume there would be no added cost to their organization as a result of this proposal.

This proposal would create an income tax deduction up to $4,000 for the purchase of alternate electricity generating equipment for residential properties. According to a 2008 report by the Interstate Renewable Energy Council1, there were about 13,000 photovoltaic installations in the U.S. The report also indicated that 84% percent of the installations were at residential locations. The top 10 states accounted for 96.8% of all the installations. Since Missouri was not among the top ten states, there were approximately 13,000*0.84*.032*1/40 = 9 installations in Missouri. Therefore, the proposal could reduce Missouri taxable income by $36,000. Assuming a 4.5% effective tax rate, this proposal could reduce general and total state revenues by $1,620.

The number of fuel cell installations in Missouri is unknown. Including fuel cell installations in the above calculations could further reduce general and total state revenues.

Officials from the **Department of Economic Development**, **Office of the Director** and **Public Service Commission**, assume this proposal would have no fiscal impact on their organizations.

ASSUMPTION (continued)

Officials from the **Department of Natural Resources** (DNR) assume this proposal would allow taxpayers who use specified types of fuel cell or solar power to generate electricity for their residences to claim a tax deduction. Starting January 1, 2010, an individual may claim a deduction for the lesser of 50% of the purchase price of a qualified fuel cell property or $1,000, and the owner of a qualified solar energy property may claim a deduction for the lesser of 50% of the purchase price or $4,000. The provisions of this proposal would expire six years from the effective date. DNR may be asked to provide photovoltaic and or fuel cell information/assistance during the implementation of this proposal.

DNR officials do not anticipate a direct fiscal impact from this proposal.

Officials from the **Department of Revenue** (DOR) assume this proposal would allow a taxpayer a deduction for the lesser of 50% of the purchase price of any qualified fuel cell or $1,000, or the lesser of 50% of the purchase price of a qualified photovoltaic property or $4,000 after January 1, 2010.

DOR officials stated that individual income tax forms and instruction changes would be required, and MINITS system changes would be required. The Department of Revenue would establish the procedures by which this deduction may be claimed, and the provisions would sunset on December 31, six years after the effective date unless reauthorized by the General Assembly

DOR officials assumed that Personal Tax would require two Temporary Tax Employees for key entry, one FTE Revenue Processing Technician I (Range10, Step L) per 19,000 errors; and one FTE Revenue Processing Technician I (Range 10, Step L) per 2,400 pieces of correspondence. Collections & Tax Assistance would require one FTE Tax Collections Technician I (Range 10, Step L) for every additional 15,000 contacts, annually, on the delinquent tax phone line; one FTE Tax Collections Technician I (Range 10, Step L) for every additional 24,000 contacts, annually, on the income tax line; and three FTE Revenue Processing Technicians I (Range 10, Step L) for every additional 4,800 contacts in the field offices. Customer Assistance anticipates the increase in contacts to be significant enough to request 1 Tax Processing Technician I for each of the larger field offices; Kansas City, St. Louis, and Springfield.

DOR provided an estimated cost to implement this proposal including seven additional employees and related equipment and expenditures totaling $283,634 for FY 2010, $304,088 for FY 2011, and $313,210 for FY 2012.

ASSUMPTION (continued)

Oversight notes that BAP estimated nine Missouri photovoltaic installations and assumes that this proposal would result in a limited number of additional deduction claims which could be processed with existing staff. If unanticipated costs are incurred or if multiple proposals are implemented which cause an increased workload, resources could be requested through the budget process.

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

Officials from the **Office of Administration**, **Information Technology Services Division** (ITSD/DOR) estimates that this proposal could be implemented using one FTE existing CIT III for three months for system modifications to MINITS at a total cost of $13,323. ITSD/DOR assumes the IT portion of this request could be accomplished with existing resources; however, if priorities shift, additional FTE or overtime would be needed.

Oversight will use the BAP estimate of photovoltaic installations. Oversight found no information available regarding energy cell unit sales. Oversight assumes that the January 1, 2010 effective date would result in lost revenue beginning in FY 2011.

FISCAL IMPACT - State Government	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE FUND			
Revenue reduction - Personal income tax deductions	$0	($1,620)	($1,620)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**$0**	**($1,620)**	**($1,620)**

FISCAL IMPACT - Local Government	FY 2010 (10 Mo.)	FY 2011	FY 2012
	$0	**$0**	**$0**

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 allow taxpayers who use specified types of fuel cell or solar power to generate electricity for their residences to claim a tax deduction.

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 Economic Development
    Office of the Director
Department of Economic Development
    Public Service Commission
Department of Natural Resources
Department of Revenue

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