COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0839-01
Bill No.: HB 323
Subject: Disabilities; Revenue Dept.; Tax Credits; Taxation and Revenue - Income
Type: Original
Date: February 24, 2009

Bill Summary: Would change the income tax credit program for the costs of modifications to a home in order for it to be accessible for a disabled person.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	$0 to ($6,000,000)	$0 to ($6,000,000)	$0 to ($6,000,000)
Total Estimated Net Effect on General Revenue Fund	**$0 to ($6,000,000)**	**$0 to ($6,000,000)**	**$0 to ($6,000,000)**

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 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 Administration**, **Division of Budget and Planning** (BAP) assume there would be no additional costs or savings to their organization as a result of this proposal.

BAP officials stated that this proposal would modify the Individual Dwelling Disabled Access tax credits program. The proposal would raise the cap on the program from the amount of $100,000 to the amount of tax credits available but unused by the Rebuilding Communities program each year. The amount of tax credits available for the Rebuilding Communities program is $8.0 million and in FY 2008, $1.97 million was redeemed under this program. Based on this information, BAP officials assume this proposal could reduce general and total state revenues up to $6.0 million.

Officials from the **Department of Economic Development** assume this proposal would have no fiscal impact on their organization.

Officials from the **Department of Revenue** (DOR) assume this proposal would eliminate the $100,000 cap on remaining credits that can be applied to the Residential Disabled Access Tax Credit; delete the provision that no taxpayer shall be eligible in the tax year immediately following the year a taxpayer received credits under this section; and eliminate the cap of $2,500 per tax year that may be refundable. The amount of tax credit available each year would be limited to the taxpayer's state tax liability. If the tax credit exceeded the state tax liability, the difference would not be refundable, but could be carried forward. Tax credits under this section could not be transferred, sold or assigned. Kitchen modification and room additions would be eligible costs for which a credit could be claimed. DOR officials could not provide an estimate of the amount of credits claimed under the current program which became effective for 2008 tax years.

Modifications to MINITS system would be required, and personal tax would require one FTE Revenue Processing Technician I for every 4,000 credits claimed.

DOR provided an estimated cost to implement this proposal including one additional employee and the related equipment and expense totaling $38,614 for FY 2010, $41,086 for FY 2011, and $42,317 for FY 2012.

ASSUMPTION (continued)

Oversight assumes that a minimal number of claims would be filed under this proposed expansion of an existing tax credit program and that the additional claims could be processed with existing resources. If unanticipated costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

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

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

Officials from the **University of Missouri**, **Economic Policy Analysis and Research Center** (EPARC) assume this proposal would provide certain individuals with additional tax credits for the costs of modifications to a home in order for it to be accessible for a disabled person who resides with them.

Specifically, modifications to kitchens and room additions would be included in eligible costs. This proposal would also repeal the current restriction prohibiting this type of credit in consecutive years, and would place an additional condition on the maximum credit allowable so that it does not exceed the taxpayer's state tax liability for the current year. Excess credit over the filer's state tax liability would not be refundable but could be carried forward to any of the taxpayer's five subsequent tax years.

Raw data indicates that few taxpayers elect the Disabled Access Credit as it is currently legislated (a $10,746 aggregate credit) and it is indeterminate from this data to estimate the additional taxpayer participation and impact on Net General Revenue if the proposed bill is enacted.

ASSUMPTION (continued)

An estimate is possible for the maximum and minimum potential impacts on Net General Revenue. As the proposal is worded, taxpayers with a disabled person living in their primary residence and who have less than $60,000 in Federal Adjusted Gross Income would be able to claim eligible costs in this credit up to the limit of their tax liability. Therefore, the best approximation of the maximum impact on Net General Revenue is the tax liability aggregate of disabled taxpayers with Federal AGI less than $60,000. This number is estimated at $10,577,000.

Oversight assumes these changes to the Individual Dwelling Disabled Access tax credits program could increase its utilization and therefore increase the amount of tax credits issued. Since the impact of the current program is not known, Oversight will assume this proposal could increase the amount of tax credits from $0 to the BAP estimate of $6 million. Oversight notes that this proposal would become effective in August 2009 (FY 2010) and could have an impact on 2009 tax returns filed in FY 2010.

FISCAL IMPACT - State Government	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE FUND			
Revenue reduction - increased tax credits	$0 to ($6,000,000)	$0 to ($6,000,000)	$0 to ($6,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**$0 to ($6,000,000)**	**$0 to ($6,000,000)**	**$0 to ($6,000,000)**

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 change the Individual Dwelling Disabled Access tax credits program for the costs of modifications to a home in order for it to be accessible for a disabled person.

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 Administration
    Division of Budget and Planning
Department of Revenue
University of Missouri
    Economic Policy Analysis and Research Center

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