COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0839-02
Bill No.: HCS for HB 323 & 528
Subject: Disabilities; Revenue Dept.; Tax Credits; Taxation and Revenue - Income
Type: Original
Date: April 17, 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
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

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

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 Revenue** (DOR) assume this proposal would eliminate the current cap of $100,000 on the tax credit authorized, require that any tax credits remaining under the ten million dollar cap be first used for tax credits authorized under section, allow seniors to use the tax credit along with disabled individuals, and define the meaning of the term "disabled individual". The credit would be refundable up to $2,500 per tax year, would include construction of an additional room in a dwelling to accommodate a senior or disabled person as an eligible cost, and would eliminate the $100,000 cap on the aggregate amount of all tax credits allowed.

Modifications to tax forms and the MINITS system would be required, and personal tax would require one FTE Revenue Processing Technician I for every 4,000 credits claimed. Collections and Tax Assistance would require one FTE Tax Collection Technician I for every additional 15,000 contacts annually to the Delinquent inbound line, one FTE Tax Collection Technician I for every additional 24,000 contacts annually to the Non-Delinquent tax line, and one FTE Revenue Processing Technician I for every additional 4,800 contacts annually in the field offices;

DOR provided an estimated cost to implement this proposal including four additional employees and the related equipment and expense totaling $154,455 for FY 2010, $164,343 for FY 2011, and $169,273 for FY 2012.

ASSUMPTION (continued)

Oversight assumes this proposal simply moves unused tax credits from one program to another and that the Department of Revenue has already reflected potential administrative costs in the fiscal note for the original $8 million Rebuilding Communities program. Therefore, Oversight will assume the Department of Revenue will be able to administer the changes set forth in this proposal with existing resources.

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.

Oversight assumes that ITSD/DOR could implement this proposal with existing resources.

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 or senior who resides with them. Specifically, the bill adds the construction of an additional room as an eligible cost and removes the $100,000 aggregate credit cap for the Disabled Access Credit.

Raw data indicates that few taxpayers elect the Disabled Access Credit as it is currently legislated, totaling $10,746 according to the, and it is not possible to determine from this data whether there would be any additional taxpayer participation and impact on Net General Revenue from this proposal.

However, it appears that a minimum and maximum impact may be estimated. Combined, the Rebuilding Communities Tax Credit Program and the Disabled Access Credit are capped at $10 million. The Department of Revenue 2007 Missouri Individual Income Tax data indicated there were at least 20,575 eligible filers. Multiplying the number of eligible returns by $2,500 gives a number far greater than the $10 million aggregate cap; therefore we can move forward to calculate unused credits available for this program.

ASSUMPTION (continued)

The most current corporate income tax data (2006) indicates credits claimed under the Rebuilding Communities Tax Credit Program totaled $1.1 million and, as mentioned above, the most current individual income tax data (2007) indicates credits claimed under the current Disabled Access Credit program totaled $10,746. Subtracting these two numbers from the $10 million cap we get $8.9 million.

To summarize, the estimated maximum impact would be $8.9 million and the minimum impact would of course be $0 if no additional credits were claimed.

Oversight assumes the proposal would earmark any unused Rebuilding Communities Program tax credits ($8 million annual cap per DED) to the new Accessible Home Tax Credit program. According to DED's Tax Credit Analysis, the amount of tax credits issued under the Rebuilding Communities program was $1.7 million each in FYs 2006, 2007, and 2008. DED's projection for FY 2009 and FY 2010 are for issuances of $1.85 million each year. Therefore, with an $8 million annual cap, this proposal could increase tax credit issuances by $6.2 million ($8 million annual cap - $1.7 million current utilization - $100,000 current transfer to Section 135.562).

For budgeting purposes, Oversight assumes this proposal could reduce Total State Revenues by $6.2 million each year. However, since Oversight has already reflected the potential loss of the Rebuilding Communities tax credit program of up to annual limit, Oversight will assume this proposal does not increase the annual limit (of $8 million), and therefore, the fiscal impact of the proposal has already been reflected in a prior fiscal note. Therefore, even though this proposal will increase utilization of the tax credit program, Oversight will not reflect an additional loss of revenue to the General Revenue Fund.

Oversight compared the total tax credit issuances relative to the total tax credit redemptions for the previous three years in order to determine a relationship between the two. Oversight discovered that the annual redemptions ranged from 81 percent to 86 percent of the annual issuances. Depending on the program, the redeemed credits may have been issued several years prior and carried forward to the years studied; however, Oversight will utilize an estimated redemption total of 83 percent of tax credits issued. Therefore, under this proposal, if $6,200,000 of credits are issued, Oversight would assume $5,146,000 (83%) of credits to be redeemed, reducing Total State Revenues.

ASSUMPTION (continued)

Oversight assumes there will some fiscal benefit resulting from this proposal; however, Oversight considers those benefits to be an indirect impact and have not reflected them on the fiscal note.

This proposal could reduce Total State Revenues.

FISCAL IMPACT - State Government	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE			
Savings - Rebuilding Communities tax credit program (to new program)	$0 to $6,200,000	$0 to $6,200,000	$0 to $6,200,000
Costs - tax credit for making all or portion of dwellings accessible to an individual with a disability or a senior	$0 to ($6,200,000)	$0 to ($6,200,000)	$0 to ($6,200,000)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	**$0**	**$0**	**$0**

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

Currently, up to $100,000 in tax credits remaining unused under the Rebuilding Communities Tax Credit Program are allocated for use by taxpayers who modify their homes for a disabled person residing with them. This bill removes the $100,000 cap and adds taxpayers who modify their homes for a senior citizen residing with them to those eligible for the tax credit.

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 Economic Development
Department of Revenue
University of Missouri
    Economic Policy Analysis and Research Center

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