

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3033-01  
Bill No.: HB 1768  
Subject: Property, Real and Personal; State Tax Commission; Taxation and Revenue -  
Property  
Type: Original  
Date: March 3, 2010

Bill Summary: Would provide an income tax credit for school district property taxes in excess of a calculated statewide average.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	\$0	(More than \$192,935)	(More than \$248,927)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>(More than \$192,935)</b>	<b>(More than \$248,927)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
General Revenue	0	4	4
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>4</b>	<b>4</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## 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 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 provide an income tax credit for excess school taxes paid. The credit would be based on the proportion of a school district's budget that is comprised of local funding. If this portion exceeds the state average, a taxpayer would calculate his credit by multiplying his property taxes paid by this excess proportion.

BAP notes that this proposal is not specific to real or personal property, and is not clear as to what agency would complete the calculations, identify eligible taxpayers, and issue the tax credits. BAP also notes that this proposal is not specific to individual or corporate taxpayers, and the credit could be applied to either individual or corporate income tax.

BAP does not have the data to estimate local spending ratios. This proposal may reduce general and total state revenues, perhaps by a substantial amount.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume the calculations required would not differ significantly from those currently performed. DESE also assumes the administration of the tax credit would be performed by DOR.

ASSUMPTION (continued)

Officials from the **Department of Revenue** (DOR) assume this proposal would provide a credit for excess property tax paid beginning January 1, 2011. The credit would not be refundable, but could be carried forward for three years nor could it be transferred, sold or assigned. The Department could create rules to implement the proposal, and the provisions would sunset on December 31, six years after the effective date unless reauthorized by the General Assembly.

The Department would need to make forms changes, and the Department and ITSD-DOR would need to make programming changes to the Missouri Individual Income Tax System (MINITS) changes.

DOR officials assume that Personal Tax would require one FTE Revenue Processing Technician I (Range 10, Step L) for every 6,000 credits claimed. In addition, Collections and Tax Assistance would anticipate additional contacts due to adjustments. Collections and Tax Assistance would require one FTE Tax Collection Technician I (Range 10, Step L) for every additional 24,000 contacts annually to the non-delinquent tax line, one FTE Revenue Processing Technician I (Range 10, Step L) for every additional 4,800 contacts annually to the field offices, and one FTE Tax Collection Technician I (Range 10, Step L) for every additional 15,000 contacts annually on the delinquent tax line.

DOR officials submitted an estimate of the administrative cost to implement the proposal including four additional employees with related benefits, expenditures, and equipment totaling \$158,603 for FY 2011, \$168,326 for FY 2012, and \$173,377 for FY 2013.

**Oversight** has, for fiscal note purposes only, changed the starting salary for the additional employees to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has adjusted the DOR estimate of expense and equipment cost in accordance with OA budget guidelines, and Oversight assumes a limited number of additional employees could be accommodated in existing office space.

**Oversight** assumes the DOR estimate of expense and equipment cost for additional FTE could be overstated. If DOR is able to use existing equipment such as desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2012 could be reduced by roughly \$5,000 per employee.

ASSUMPTION (continued)

DOR officials estimated the IT cost to implement this proposal at \$13,356, based on 504 hours programming time to make changes to the individual income tax processing system (MINITS).

**Oversight** assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of normal activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial cost, OA-ITSD (DOR) could request funding through the appropriation process.

Based on the Department of Elementary and Secondary Education 2008 report of school finance data, Oversight notes that property taxes for local school district purposes would amount to approximately (\$90 billion assessed valuation x \$3.83 tax per \$100 assessed valuation) = \$3.447 billion. Although Oversight is not able to determine the amount of school district taxes paid in excess of a calculated statewide average, we assume this proposal would have a cost to the General Revenue Fund in excess of \$100,000 per year.

This proposal would be effective for tax years beginning January 1, 2011, and tax returns for those tax years including tax credit claims would be filed beginning in January 2012 (FY 2012). Oversight will include six months DOR cost for FY 2012.

<u>FISCAL IMPACT - State Government</u>	FY 2011	FY 2012 (6 Mo.)	FY 2013
<b>GENERAL REVENUE FUND</b>			
<u>Cost - Department of Revenue</u>			
Salaries (4.0 FTE)	\$0	(\$46,721)	(\$96,245)
Benefits	\$0	(\$24,500)	(\$50,471)
Equipment and Expense	\$0	(\$21,714)	(\$2,211)
Total	<u>\$0</u>	<u>(\$92,935)</u>	<u>(\$148,927)</u>
<u>Cost - Tax Credits</u>			
	\$0	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
	<u>\$0</u>	<u>(More than \$192,935)</u>	<u>(More than \$248,927)</u>
Estimated Net FTE Effect on general Revenue Fund	0	4	4
<u>FISCAL IMPACT - Local Government</u>			
	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses which own property and pay school taxes.

FISCAL DESCRIPTION

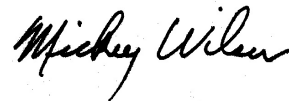
The proposed legislation would create an income tax credit for school district property taxes in excess of a calculated statewide average.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

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



Mickey Wilson, CPA  
Director  
March 3, 2010