

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5460-01  
Bill No.: HB 2400  
Subject: Housing; Banks and Financial Institutions; Tax Credits  
Type: Original  
Date: April 7, 2010

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Bill Summary: This proposal allows linked deposits for eligible homeowners seeking a home loan for a down payment on a home.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	(\$39,969) to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$39,969) to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</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 6 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>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</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 Administration - Budget and Planning (BAP)** assume the State Treasurer should provide estimates of Total State Revenue and General Revenue losses that should result from the lender home loan interest earnings tax credit that would be required by this proposal.

Officials from the **Office of the State Treasurer** assume the proposal would not have a fiscal impact to their agency.

Information on the Office of the State Treasurer's web site states 'the Missouri Linked Deposit Program partners with lending institutions to provide low-interest loans to help create and retain jobs, expand the economy and strengthen communities statewide. By reducing the interest rate on certain loans that borrowers can use to improve their businesses, the program helps qualified lenders from Missouri better serve Missouri-based companies and agricultural operations. The program also provides funds for local governments to serve the interests of their constituents. Using the program allows lenders to lower the interest rates to the borrower by about 2-3 percent.'

Other linked deposit programs already offered by the Office of the State Treasurer include:

- Small Business Program                      \$110 million
- Job Enhancement Program                      \$220 million
- Alternative Energy Program                      approved case-by-case
- Agriculture Program                              \$330 million
- Local Governments Program                      approved case-by-case
- Multi-Family Housing Program                      \$20 million

Officials from the **Department of Revenue (DOR)** state their response to a proposal similar to or identical to this one in a previous session indicated the department planned to absorb the administrative costs to implement the proposal. Due to budget constraints, reduction of staff and the limitations within the department's motor vehicle legacy systems, changes cannot be made without significant impact to the department's resources and budget. Therefore, the IT portion of the fiscal impact is estimated with a level of effort valued at \$39,969 (3 FTE for 1 month (Business) and 3 FTE for 2 months (Individual) at \$4,441 per month to make updates to the individual income tax system (MINITS) and the corporate income tax system (COINS)).

DOR also assumed the need for one Revenue Processing Technician I at \$25,380 for every 6,000 credits claimed in both their Personal Tax Section and their Corporate Tax Section.

ASSUMPTION (continued)

In summary, DOR assumes the potential need for two FTE totalling roughly \$85,000 per year in addition to the necessary ITSD changes.

**Oversight** assumes that not enough eligible lending institutions will be issued tax credits as a result of this legislation to warrant the need for additional FTE for the Department of Revenue.

**Oversight** will assume a potential unknown loss of income to the State from the issuance of tax credits described in Section 30.875.4. Oversight will range this fiscal impact from \$0 (no tax credits earned or redeemed) to an unknown amount since the proposal does not specify a annual limit. If \$25 million in linked deposits are used for home loans, and the eligible lending institutions collect 4% in interest, this would equate to roughly \$1.0 million annually in interest collected/tax credits received. Oversight will assume the tax credits are non-sellable and non-transferrable and therefore would only result in a tax credit utilized by banks against any of their tax liabilities, resulting in a reduction to General Revenue. Oversight assumes the \$25 million limit to the linked deposit program is an aggregate cap.

**Oversight** assumes this program would result in some positive fiscal benefit to the state; however, Oversight considers those benefits to be indirect and have not included them in this fiscal note.

**This proposal will reduce Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
<b>GENERAL REVENUE</b>			
<u>Costs</u> - Department of Revenue			
ITSD changes	(\$39,969)	\$0	\$0
<u>Loss</u> - tax credit for interest earned on linked deposit loans used for home loans	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b>(\$39,969) TO (UNKNOWN)</b>	<b>\$0 TO (UNKNOWN)</b>	<b>\$0 TO (UNKNOWN)</b>

<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

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

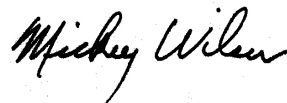
This bill changes the laws regarding the Linked Deposit Loan Program by allowing an eligible homeowner purchasing a single-family dwelling to receive a linked deposit loan for the down payment on the home in an amount of up to 10% of the purchase price of the home, not to exceed \$10,000.

The State Treasurer is authorized up to an additional \$25 million to be utilized for these loans. Any eligible lending institution making a home loan cannot sell the loan and will receive a tax credit on any interest earned. The homeowner must repay the loan within five years.

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 State Treasurer  
Office of Administration - Budget and Planning  
Department of Revenue



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