

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0230-02  
Bill No.: HB 144  
Subject: Contracts and Contractors; Property, Real and Personal; Water Resources and Water Districts  
Type: Original  
Date: February 23, 2011

Bill Summary: Would authorize an income tax deduction from a taxpayer's Missouri adjusted gross income for payments made on a loan obtained to repair flood damage to the taxpayer's premises.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<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 2012</b>	<b>FY 2013</b>	<b>FY 2014</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 2012</b>	<b>FY 2013</b>	<b>FY 2014</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 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume 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 Secretary of State's Office 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 this proposal would not result in additional costs or savings to their organization.

BAP officials stated that the proposal would create a deduction for loan payments the taxpayer obtains to repair flood damage to the taxpayer's premises caused by a public entity. This proposal would reduce general and total state revenues by an unknown amount.

Officials from the **Department of Revenue (DOR)** assume this proposal would allow, for tax years beginning January 1, 2012, a taxpayer to deduct loan payments for loans obtained to repair flood damage to their premises. The provisions would sunset on December 31, six years after the effective date unless reauthorized by the General Assembly.

DOR would create rules and establish procedures to administer the deduction, and DOR and ITSD-DOR would need to make programming changes to the Missouri Individual Income Tax System (MINITS), the Corporation Income Tax System (COINS), the Franchise Tax System (CAFÉ), the Corporate Electronic Filing Specifications (Mefile), and the Case Audit Management System (CAMS). DOR would also need to make changes to various forms.

ASSUMPTION (continued)

Administrative cost

DOR officials assume that Personal Tax would require two additional Temporary Employees for key entry, one additional FTE Revenue Processing Technician I (Range 10, Step L) per 19,000 errors, and one additional FTE Revenue Processing Technician I (Range 10, Step L) per 2,400 pieces of correspondence.

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

The DOR estimate of cost to implement the proposal including five additional employees and the related fringe benefits, equipment, and expense totaled \$213,3367 for FY 2012, \$217,204 for FY 2013, and \$219,467 for FY 2014.

**Oversight** notes that this proposal provides a deduction in determining a taxpayer's Missouri adjusted gross income payments on a loan to repair flood damage, but only for flood damage which was caused by a taxpayer-funded entity. Oversight does not have any information regarding floods which were caused by taxpayer-funded entities, and will indicate an unknown reduction in revenues for the General Revenue Fund for potential future claims.

Oversight assumes this proposal would likely result in a minimal number of deduction claims which could be managed with existing resources. If unanticipated additional costs are incurred or if multiple proposals are implemented which result in a significant increase in the DOR workload, resources could be requested through the budget process.

**Oversight** also 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)

IT cost

DOR officials also provided an estimate of the IT cost to implement this proposal. The DOR estimate of IT cost was \$17,808 based on 672 hours of programming to various DOR systems.

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

Officials from the **University of Missouri, Economic and Policy Analysis Research Center** (EPARC) assume this proposal would authorize an income tax deduction from a taxpayer's Missouri adjusted gross income for payments made on a loan obtained to repair certain flood damage to the taxpayer's premises.

EPARC officials state that it is uncertain how many taxpayers have secured such loans or will obtain loans to repair flood damage in the future. Accordingly, we are not able to quantify the impact that this bill will have on Missouri's net general revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction</u> - reduction in taxable income	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO GENERAL REVENUE FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses which borrow money to repair flood damage to their premises.

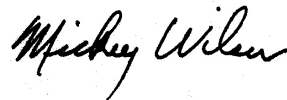
FISCAL DESCRIPTION

The proposed legislation would authorize an income tax deduction from a taxpayer's Missouri adjusted gross income for payments made on a loan obtained to repair flood damage to the taxpayer's premises.

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 Revenue  
University of Missouri  
    Economic and Policy Analysis Research Center



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