

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4251-01
Bill No.: HB 1055
Subject: Housing; Revenue Dept.; Tax Credits; Taxation and Revenue - Income
Type: Original
Date: January 31, 2012

Bill Summary: This proposal would authorize a one-time income tax deduction to a taxpayer for the lesser of the construction cost or \$5,000 for an American made storm shelter.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	\$0	\$0 to (\$120,000)	\$0 to (\$120,000)
Total Estimated Net Effect on General Revenue Fund	\$0	\$0 to (\$120,000)	\$0 to (\$120,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> 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 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
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 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

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 **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

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 assume this proposal would create a tax deduction for the costs incurred for the construction of a storm shelter. The aggregate amount of deductions allowed would be \$2 million per fiscal year. At the 6% marginal income tax rate, the proposal could reduce General and Total State Revenue by up to \$120,000 annually.

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

Officials from the **Department of Revenue (DOR)** assume this proposal would allow a deduction for the costs of constructing a storm shelter. For years beginning on or after January 1, 2013, taxpayers would be allowed to deduct the lesser of the costs incurred or \$5,000. No taxpayer could claim a deduction more than once under this section, the aggregate amount of deductions allowed could not exceed two million dollars, and deductions would be allowed on a first-come, first-served basis.

ASSUMPTION (continued)

DOR could create rules to implement these provisions, and the program would sunset six years after the effective date unless re-authorized by the General Assembly.

DOR officials assume the department would need to make form changes.

DOR officials estimated that Personal Tax would need two additional Temporary Tax Employees for key entry, one additional FTE Revenue Processing Technician I (Range 10, Step L) per 19,000 errors, and one FTE additional Revenue Processing Technician I (Range 10, Step L) per 2,400 pieces of correspondence; Collections and Tax Assistance would need one additional FTE Tax Collection Technician (Range 10, Step L) for every additional 15,000 contacts annually on the delinquent tax line, with CARES equipment, one additional FTE Tax Collection Technician (Range 10, Step L) for every additional 15,000 contacts annually on the non-delinquent tax line, with CARES equipment, and one additional FTE Revenue Processing Technician I (Range 10, Step L) per 4,800 contacts annually to the field offices, with CARES equipment.

The DOR estimate of cost to implement this proposal including two temporary tax employees and five additional employees, with the related equipment and expense, was \$214,685 for FY 2013, \$218,947 for FY 2014, and \$221,140 for FY 2015.

Oversight assumes the DOR estimate of expense and equipment cost for the new FTE could be overstated. If DOR is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2012 could be reduced by roughly \$6,000.

Oversight notes that this proposal would provide a maximum deduction for an individual filer of five thousand dollars with an aggregate maximum of two million dollars in deductions per state fiscal year. The maximum overall revenue reduction for this proposal would be $(\$2,000,000 \times 6\%) = \$120,000$ per year. The deduction would be limited to $(\$5,000 \times 6\%) = \300 per filer and would be available on a first-come, first-served basis. Oversight assumes that $(\$2,000,000 / \$5,000) = 400$ filers would be able to claim the deduction each fiscal year.

Oversight could not find any information regarding the cost of a storm shelter nor the number of storm shelters constructed in Missouri. However, based on the limited amount of deductions available and the limited number of filers who could use this deduction, Oversight assumes these claims could be processed with existing resources. If unanticipated additional costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

ASSUMPTION (continued)

DOR officials also provided this estimate of the IT cost to implement the proposal. Officials from the **Office of Administration, Information Technology Services Division** (OA-ITSD/DOR) estimate the IT portion of this request could be implemented at a cost of \$13,356 based on 504 hours of programming for DOR systems.

Oversight assumes OA-ITSD/DOR is provided with core funding to handle a certain amount of 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 costs, OA-ITSD/DOR could request funding through the appropriation process.

Officials from the **University of Missouri, Economic Policy Analysis and Research Center** (EPARC), assume this proposal would, if enacted, authorize a one-time income tax deduction to a taxpayer for the cost of construction or \$5,000, whichever is less, of a storm shelter which was made in America. The aggregate amount of tax deductions which could be issued under this bill in any one fiscal year could not exceed \$2,000,000.

EPARC officials stated that although they were not able to estimate the demand for storm shelters and calculate a precise impact on the General Revenue Fund, they could estimate a maximum impact. Since the aggregate limit on these deductions is \$2,000,000, the maximum impact would be \$2,000,000 at the highest tax rate of 6%, or \$120,000. EPARC officials concluded this proposal could potentially reduce Net General Revenue by \$120,000 every year it is in effect.

Oversight will indicate a range of fiscal impact to the General Revenue Fund from \$0 (no deductions claimed) to \$120,000 (the program cap). The deduction would be available for tax years beginning on or after January 1, 2013, and Oversight assumes these deductions would first be claimed on 2013 tax returns filed in FY 2014.

This proposal could reduce Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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GENERAL REVENUE FUND

Revenue reduction - additional deductions for storm shelter	<u>\$0</u>	<u>\$0 to (\$120,000)</u>	<u>\$0 to (\$120,000)</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0 to (\$120,000)</u>	<u>\$0 to (\$120,000)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

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

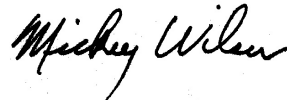
FISCAL DESCRIPTION

This proposal would authorize a one-time income tax deduction to a taxpayer for the lesser of the cost of the construction or \$5,000 of an American made storm shelter.

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 Economic Development
Department of Revenue
Joint Committee on Administrative Rules
University of Missouri
 Economic Policy Analysis and Research Center



Mickey Wilson, CPA
Director
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