

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4480-01
Bill No.: HB 1218
Subject: Elderly; Housing; Revenue Dept.; Tax Credits
Type: Original
Date: February 15, 2012

Bill Summary: This proposal would increase the maximum upper limit for the senior citizens property tax credit from \$14,300 to \$16,000.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	\$0	(\$7,922,070 to \$10,677,918)	(\$7,922,070 to \$10,677,918)
Total Estimated Net Effect on General Revenue Fund	\$0	(\$7,922,070 to \$10,677,918)	(\$7,922,070 to \$10,677,918)

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 Administration, Division of Budget and Planning** (BAP) assume this proposal would not result in additional costs or savings to their organization.

BAP officials noted this proposal would increase the minimum base for the Senior Citizens Property Tax Credit from \$14,300 to \$16,000 and provided the following analysis.

According to the 2011 PTC Claim Chart, the difference between the allowable credits for the two income ranges is up to \$72 per taxpayer. DOR provided information to BAP for the 2009 tax year indicating that 6,872 taxpayers would be directly impacted by the increase in the minimum base, resulting in an additional \$305,000 of credits. On average, this would be \$44 per filer.

BAP officials noted that changing the minimum floor would require the entire PTC table to be recalculated, resulting in additional credits for the remaining 212,000 taxpayers. The maximum allowable credit would continue to decrease to \$0 as qualifying income increased to the maximum upper limit. BAP assumes the average increase for the remaining taxpayers would be \$22, for an additional revenue reduction of \$4.7 million.

Therefore, this proposal could reduce General and Total State Revenues \$5.0 million; however, actual losses could exceed this figure, depending on the consequences of recalculating the PTC table and the circumstances of the various claimants.

Officials from the **Department of Revenue** (DOR) assume this proposal would increase the minimum base amount for the Property Tax Credit program. The current minimum of \$14,300 would be retained until December 31, 2012; beginning January 1, 2013, the minimum base would be \$16,000.

ASSUMPTION (continued)

DOR officials provided the following analysis.

This proposal would not result in more filers, but would increase the dollar amount of credits allowed. Anyone with income below the minimum base receives the actual amount of taxes paid up to \$1,100, or 20% of their rent up to \$750. For calendar 2009 there were 4,413 renters and 2,459 owners with income between \$14,300 and \$16,000, and with property tax or the rental equivalent of at least the current cap. If those filers could claim the maximum amount, an additional \$305,001 would have been paid. DOR officials assume the total impact would be more than \$305,000, since the proposal would also impact the remaining 212,000 recipients.

Administrative impact

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

Oversight assumes that any administrative cost to implement this proposal would be minimal and could be absorbed with existing resources.

IT impact

DOR officials also provided an estimate of the IT cost to implement this proposal of \$13,356 based on 54 hours of programming to make changes to DOR systems.

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight also assumes that OA-ITSD (DOR) could absorb the costs related to this proposal. If unanticipated costs are incurred or if multiple proposals are implemented which significantly increase the OA-ITSD (DOR) workload, resources could be requested through the budget process.

Officials from the **University of Missouri, Economic and Policy Analysis Research Center** (Eparc) stated that if enacted, this proposal would change the income level for determining the Property Tax Credit, otherwise known as the Senior Citizen Circuit Breaker. Specifically, the minimum base would increase from \$14,300 to \$16,000.

ASSUMPTION (continued)

Using 2010 income tax data, EPARC calculated baseline estimates for homeowners and renters. The owners' baseline has a minimum base of \$14,300, a maximum upper limit of \$30,000, a credit limit of \$1,100 and a spouse deduction of \$4,000. The renters' baseline has a minimum base of \$14,300, a maximum upper limit of \$27,500, a credit limit of \$750, and a spouse deduction of \$2,000.

The EPARC baseline data for 2010 indicated that a total of \$108,045,709 in property tax credits was claimed, and an additional \$24,151,564 in credits was not claimed by qualified filers. Summing those two figures gives us a total amount that could be claimed under the current legislation of \$132,197,273.

Increasing the minimum base to \$16,000 for owners and renters would allow credits to current claimants to increase from \$108,045,709 to \$115,967,779, or \$7,922,070. It would also increase the amount of available credits not claimed by qualified filers from \$24,151,564 to \$26,907,412, or \$2,755,848.

EPARC officials stated that this information is not a forecast of future property tax credit claims. Since they are not able to forecast the extent of taxpayer participation in this program, they are not able to calculate the impact this proposed legislation may have on the General Revenue Fund.

For fiscal note purposes, **Oversight** will use the EPARC estimates and will indicate a range of impact for the proposal from the \$7,922,070 increase in credits which would be available to current claimants, to the $(\$7,922,070 + \$2,755,848) = \$10,677,918$ increase in amounts available to all eligible filers.

Oversight notes that only $(\$108,045,709 / \$108,045,709 + \$24,151,564) = (\$108,045,709 / \$132,197,273) = 82\%$ of currently available credits are being claimed. Oversight assumes a more generous program could have an increased participation rate, leading to an additional increase in the cost of this program, but that increased cost would not be a direct result of this proposal.

Finally, **Oversight** notes that the proposal would be effective as of January 1, 2013 and assumes that the first claims under the new limits would be filed for 2013 in January 2014 (FY 2014).

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE FUND			
<u>Revenue reduction - Department of Revenue</u>			
Increased property tax credit claims	\$0	<u>(\$7,922,070 to \$10,677,918)</u>	<u>(\$7,922,070 to \$10,677,918)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$7,922,070 to \$10,677,918)</u>	<u>(\$7,922,070 to \$10,677,918)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<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

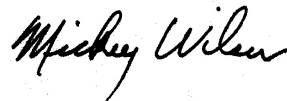
This proposal would increase the maximum upper limit for the senior citizens property tax credit from \$14,300 to \$16,000.

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 Administration
 Division of Budget and Planning
Department of Revenue
University of Missouri
 Economic and Policy Analysis Research Center



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