



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill # HB0236

Title: Residential property tax credit for elderly -- adjust for inflation

Primary Sponsor: Jacobson, Hal

Status: As Amended in House Committee

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$7,226,921)	(\$7,623,606)	(\$8,042,066)	(\$8,483,495)
Net Impact-General Fund Balance:	<u>(\$7,226,921)</u>	<u>(\$7,623,606)</u>	<u>(\$8,042,066)</u>	<u>(\$8,483,495)</u>

Description of Fiscal Impact: This legislation expands the elderly homeowner/renter credit.

FISCAL ANALYSIS

Assumptions:

- The proposed legislation increases the maximum credit allowed and adjusts the household income amounts and income adjustments used to calculate the credit. The Department of Revenue maintains a database of all elderly homeowner/renter returns filed for a given tax year. According to this database, the total elderly homeowner/renter credit claimed in 2005 was \$11,580,412. A computer simulation program was applied to the 2005 elderly homeowner/renter returns to determine the total credit if the proposed legislation had been in effect for the 2005 tax year. If the proposed maximums and rate schedules had been in effect in 2005, the total elderly homeowner/renter credits claimed would have been \$17,562,407. The difference between the actual credits claimed and the estimated amount that would have been claimed under the proposed legislation is \$5,981,995 (\$17,562,407 - \$11,580,412).

2. The proposed legislation will increase the gross income limit under which taxpayers may qualify for the credit from \$45,000 to \$54,500. In both 2004 and 2005, approximately 5.5% of households under \$45,000 claimed the credit. Assuming that this percentage remains constant if the limit is increased to \$54,500, 17,237 households would have claimed the elderly renters' credit in 2005. The number of households that actually claimed the credit in 2005 (under the current limits) was 15,696. Therefore, it is assumed that the proposed legislation will increase the number of households taking the credit by 9.82% $((17,237-15,696)/15,696)$.
3. The fiscal impact of this legislation can be calculated by multiplying the percentage increase in the number of households taking the credit (9.82%) by the estimated difference in the total credit claimed between current law and the proposed legislation (calculated in step 2). This legislation is expected to decrease tax liability by \$6,569,427 $(\$5,981,995 * 109.82\%)$ for tax year 2005.
4. Projections of the decrease in tax liability were calculated by applying the elderly homeowner/renter credit growth rates from HJR 2 to the decrease of \$6,569,427 in tax year 2005. The projected tax decrease is \$6,898,174 $(\$6,569,427 * 105\%)$ in tax year 2006, \$7,226,921 $(\$6,898,174 * 104.77\%)$ in tax year 2007, \$7,623,606 $(\$7,226,921 * 104.55\%)$ in tax year 2008, \$8,042,066 $(7,623,606 * 104.55\%)$ in tax year 2009, and \$8,483,495 $(\$8,042,066 * 104.55\%)$ in tax year 2010.
5. The bill is applicable to tax year 2007. The tax decrease in tax year 2007 will be reflected in FY 2008. The revenue impact of the bill is as follows:
 - 2008: (\$7,226,921)
 - 2009: (\$7,623,606)
 - 2010: (\$8,042,066)
 - 2011: (\$8,483,495)

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Revenues:</u>				
General Fund (01)	<u>(\$7,226,921)</u>	<u>(\$7,623,606)</u>	<u>(\$8,042,066)</u>	<u>(\$8,483,495)</u>
TOTAL Revenues	<u>(\$7,226,921)</u>	<u>(\$7,623,606)</u>	<u>(\$8,042,066)</u>	<u>(\$8,483,495)</u>

Long-Range Impacts:

1. The proposed legislation will continue to decrease tax collections by an increasing amount each fiscal year, starting at approximately \$6.5 million in FY 2012.

Sponsor's Initials

Date

Budget Director's Initials

Date