COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 0318-01
BILL NO.: SB 51
SUBJECT: Housing, Manufactured Housing; Economic Development Department
TYPE: Original
DATE: January 15, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	$0	$0	$0 to ($420,000)
Total Estimated Net Effect on All State Funds	**$0**	**$0**	**$0 to ($420,000)**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses
This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Missouri Housing Development Commission (MDHC)** state this legislation requires them to establish six rural housing development loan programs. Three programs are required in communities of five thousand people or fewer in third class counties and three are required in communities of fifty thousand people or more. This legislation would establish a state tax credit to taxpayers who provide the funding for this program. The tax credit is equal to 50% of the total contribution and may be carried forward for four years. Loans shall be made at no interest to non-profit organizations who construct new single-family housing. Each loan could be no more than $70,000 per house. Upon the sale of the home, all proceeds shall be used to finance construction of another house or repay the original loan. All homes must be sold at cost plus a $2,500 administration fee per house.

The MDHC assumes they would need 1/2 FTE, a housing program auditor/inspector, to administer this program. Responsibilities of this 1/2 FTE would be to review and evaluate applications and to ensure that the non-profit organizations as well as the housing they are constructing are in compliance with the rules and regulations of this program. With an annual salary of $45,156 for a full FTE, the MDHC assumes salary expenses of $23,721 in FY 2003 and $24,314 in FY 2004, as well as all necessary fringe benefits and other related expenses. The MDHC also assumes a negative effect from the tax credit of $420,000 in each FY 2003 and FY 2004.

Oversight assumes that this program can be administered by the Missouri Housing Development Commission with existing staff.

The **Department of Revenue** (**DOR**) states this legislation authorizes a tax credit equal to 50% of the contributions made to the Department of Economic Development for the Rural Housing Development Revolving Loan Program. The tax credit is not to exceed $50,000 per taxable year, is nonrefundable and can be carried over to the next four tax years. The DOR assumes the number of taxpayers eligible for this tax credit is unknown at this time. The Division of Taxation, Personal Tax Bureau, will need one Tax Processing Tech I for every 10,000 credits claimed each year (processing). The Division of Taxation, Business Tax Bureau will need on Tax Processing Tech I for every 3,680 credits claimed.

The DOR assumes this legislation will require modifications to the individual and corporate income tax systems. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of contract labor, a cost of $41,617.

ASSUMPTION (continued)

Modifications to tax returns and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of $9,007 is requested by the DOR for implementation, and $451 is requested for ongoing costs.

Oversight assumes the DOR could request additional FTE to process the additional credits/returns if the need arises and could absorb any programming costs with existing resources.

The **Office of Administration - Budget and Planning (OA)** stated the proposed legislation should not result in additional costs or savings to their office, but would impact the total state revenue.

Oversight assumes that since the stated effective date of this legislation is January 1, 2003 and shall apply to all tax years after December 31, 2002, the fiscal impact of the tax credits will not be realized by the state until the return filing season for the calendar year 2003 (starting January, 2004), which is in FY 2004. Oversight has ranged the fiscal impact from no-one contributing to the program and taking advantage of the tax credit, to the maximum of $420,000 being used in FY 2004.

This proposal may result in a decrease in Total State Revenue.

FISCAL IMPACT - State Government	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
Loss - General Revenue Fund			
Tax credits to establish the Rural Housing Development Programs	$0	$0	$0 to ($420,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**$0**	**$0**	**$0 to ($420,000)**

FISCAL IMPACT - Local Government	FY 2002	FY 2003	FY 2004

	(10 Mo.)		
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

This proposal may have positive fiscal impact on small businesses that sell building material, if this proposal increases the purchase of building materials and supplies.

DESCRIPTION

This proposal requires the Department of Economic Development to establish six rural housing development loan pilot programs. Three shall provide for loans for construction of homes within communities with a population of five thousand or less in a third class county, and three shall be established in communities with a population of fifty thousand or more. The program authorizes no-interest loans for the construction of single family homes. The maximum loan shall be $70,000.

APPLICATIONS - Any non-profit organization may apply to the Missouri Housing Development Commission (MHDC) for funding. The Department will make the loans according to need. The Department may require an expiration date of the loan, progress reports and inspections of the construction sites.

REVOLVING FUND - Loans are to be put in a revolving fund to build homes one at a time, as they are sold.

CONSTRUCTION - Homes shall be constructed only where water and sewer services are available. All homes are to be constructed according to rural development building standards of the United States Department of Agriculture (USDA).

SALE - Homes are to be sold at cost plus a $2,500 fee for any construction supervisor hired. Priority shall be given to low and moderate income families. Every sales contract shall contain an anti-speculation clause to deter buyers from reselling the home solely to make a profit.

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

Department of Revenue
Department of Economic Development
Office of Administration
Budget and Planning

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