

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0982-01  
Bill No.: SB 324  
Subject: Education, Higher; Banks and Financial Institutions  
Type: Original  
Date: February 18, 2005

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(\$3,262,500) to (Unknown)	(\$3,262,500) to (Unknown)	(\$3,262,500) to (Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$3,262,500) to (Unknown)</b>	<b>(\$3,262,500) to (Unknown)</b>	<b>(\$3,262,500) to (Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
<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 4 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</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 LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### FISCAL ANALYSIS

#### ASSUMPTION

Officials with the **Department of Higher Education and Department of Revenue** assume this proposal would have no fiscal impact on their agencies.

Officials with the **State Treasurer's Office (STO)** assume this proposal would expand the state's MOST program by extending income tax deductions to Missouri citizens placing investments in any 529 college savings plan offered by state or any political subdivision of any state. Currently, this deduction is allowed only to investors in Missouri's MOST plan.

STO estimates that there are currently 86,000 MOST accounts qualifying for the state income tax deduction, and that approximately 29,000 Missouri residents currently invest in out-of-state plans that would become eligible for the tax deduction as a result of this proposal. STO assumes that the average annual investment in such plans ranges from \$2,500 to \$8,000 (the maximum allowed by law). 29,000 Missouri taxpayers deducting the investment amounts from income at an average marginal tax rate of 4.5% would result in a loss to General Revenue of \$3.26 million to \$13.92 million per year.

STO notes that such estimates fail to consider potential impact from any increase in the number of total investors in such savings plans. Due to the uncertainty of consumer investment behavior,

ASSUMPTION (continued)

STO cannot predict the rate at which investments (either the number of investors or the amount they invest) would increase as a result of this act.

**This legislation would reduce Total State Revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
<b>GENERAL REVENUE</b>			
<u>Loss</u> – Reduced Income Tax Receipts	(\$3,262,500) to (Unknown)	(\$3,262,500) to (Unknown)	(\$3,262,500) to (Unknown)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>(\$3,262,500) to <u>(Unknown)</u></b>	<b>(\$3,262,500) to <u>(Unknown)</u></b>	<b>(\$3,262,500) to <u>(Unknown)</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2006 (10 Mo.)	 FY 2007	 FY 2008
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

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

DESCRIPTION

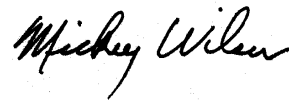
This legislation allows a state tax deduction for contributions to educational savings programs of other states and political subdivisions thereof.

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

State Treasurer's Office  
Department of Higher Education  
Department of Revenue



Mickey Wilson, CPA  
Director  
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