

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1190-08  
Bill No.: Truly Agreed to and Finally Passed HCS for SCS for SB 252  
Subject: Boards, Commissions, Committees, Councils; Economic Development  
 Department.  
Type: Original  
Date: April 28, 2005

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(\$11,400 to Unknown)	(\$11,742 to Unknown)	(\$12,094 to Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$11,400 to Unknown)</b>	<b>(\$11,742 to Unknown)</b>	<b>(\$12,094 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 7 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 from the **Department of Higher Education, Department of Elementary and Secondary Education, Department of Public Safety – Missouri Veterans Commission** and the **Office of the Adjutant General** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Department of Economic Development (DED)** assume they would be required to provide administrative support and staff for the 9 member commission as well as set up at least 4 meetings per year. DED is to provide administrative costs and staffing. The costs are projected on the minimum number of meetings and could be higher. Commission staff support to be provided by DED could be a minimum of some additional overtime for DED employees but could require FTE. The cost for the staff support would be dependent on the activity of the committee. The administrative costs other than meetings is unknown and would again be dependent on the desires of the commission. DED projects the need for one person 1/2 time to coordinate the activities of the program and work with commissioners. DED will also incur expenses in setting up and organizing the meetings and implementing the commission directives. Funding is to be provided through appropriation and expenditure of more than 10% of the funding at one time requires specific procurement. Exact cost of administration and expenses would be unknown until the Commission developed their strategic plan.

ASSUMPTION (continued)

DED projectes a 1/2 time FTE classified as an Economic Development Incentive Specialist II (at \$39,288 annually). DED would have to provide meeting space for the 9 commission members plus expenses. Four meetings are projected per year. Cost include over night lodging (\$70), mileage (\$.345 x 240 RT = \$82.80), and one days meals (\$45.00 for 3) plus print, meeting room, etc. for each meeting (\$250). The total cost for 9 members is estimated to be \$2,030.20 (9 X (\$70 + \$82.8 + \$45) each plus \$250) each meeting. Advertising and promotion costs are anticipated but unknown. Cost to put on the celebration are also projected as an unknown. Costs for any contract studies, reports, or equipment is unknown. The bill has an emergency clause.

In summary, DED anticipates expenses of roughly \$54,000 to an unknown amount to be spent from the General Revenue Fund as a result of this proposal.

**Oversight** assumes DED will not require the additional ½ FTE nor its related expenses to fulfill its duties as specified in the proposal. Oversight assumes DED will request the additional FTE and expenses through future budgetary procedures. Oversight also assumes DED will reimburse the commission members for their actual and necessary expenses, including mileage, lodging, and meals, which Oversight estimates to total roughly \$11,400 per year.

Officials from **Johnson County** did not respond to our request for fiscal impact.

*Section 143.121 - Income Tax Deduction for military service while the taxpayer serves in a combat zone:*

In response to a similar proposal from this year (HB 414), officials **Office of Administration – Division of Budget and Planning (BAP)** assumed the proposal has no impact on their agency.

BAP assumed that, according to the 2004 IRS Armed Forces' Tax Guide (Publication 3), pp. 7-8, enlisted personnel may exclude from Federal Adjusted Gross Income (FAGI) all military pay received while serving in a combat zone. Officers may exclude this amount up to the highest rate of similar pay for enlisted personnel. Therefore, BAP assumed that a large portion of combat zone wages are already excluded from FAGI, and thus from Missouri Adjusted Gross Income.

This proposal would have an unknown negative impact on general revenue and Total State Revenue.

ASSUMPTION (continued)

In response to a similar proposal from this year (HB 414), officials of the **Department of Revenue (DOR)** assumed that currently, military income earned in combat zones is exempt from federal tax and would flow through as exempt on the Missouri income tax returns. However, commissioned officers only get to exclude up to the pay of the highest enlisted person under the federal exemption. Therefore, DOR assumed this legislation would exempt the balance of commissioned officers' income.

DOR assumed this proposal would require many military members—previously able to file a short form—to file a long form. The proposal would require an extra line on the form MO-A and military personnel would need to attach documentation that verifies their service in a combat zone. DOR could need additional personnel to handle deduction claims, errors, and correspondence related to this proposal. Taxation will have to add a line or a check box on the MO-A for the exemption of the Military pension amount. This line will affect the MINITS and Speedup systems - estimated programming and testing time of 1,384 hours at a cost of \$46,170.

DOR states this deduction would need to be verified on the front end, therefore assume the need for 4 Temps for every 32,000 returns filed claiming the deduction, one TPT for every 19,000 errors and one TPT for every 2,400 pieces of correspondence.

DOR's Customer Assistance anticipates handling the implementation of this legislation with existing resources.

In summary, DOR's Division of Taxation will have internal costs estimated to be \$92,154 and 2 FTE associated with the implement of this legislation; however, the division believes it can manage these costs at current appropriation levels unless there is a material change in the division's other responsibilities.

**Oversight** assumes since combat pay for enlisted personnel is not included in the military personnel's Federal Adjusted Gross Income, it is currently not taxed by Missouri. Only that portion of income an officer receives that exceeds the highest rate of similar pay for enlisted personnel would be deductible from FAGI as a result of this legislation. Therefore, **Oversight** will show the impact of this proposal as a negative unknown.

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

<u>FISCAL IMPACT - State Government</u>	FY 2006	FY 2007	FY 2008
<b>GENERAL REVENUE</b>			
<u>Costs - DED</u>			
Actual and necessary expenses of the new commission members	(\$11,400)	(\$11,742)	(\$12,094)
<u>Loss - General Revenue</u>			
Deduction for military pay in a combat zone	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>(\$11,400 to Unknown)</u></b>	<b><u>(\$11,742 to Unknown)</u></b>	<b><u>(\$12,094 to Unknown)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2006	FY 2007	FY 2008
	<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.

DESCRIPTION

This proposal creates the "Missouri Military Preparedness and Enhancement Commission". The commission will advise the Governor and the general assembly on military-related issues, as specified within the act, and will provide an annual report. The department of economic development will furnish administrative support for the commission.

Five members of the commission shall be appointed by the governor. Two members of the House, one from each political party, shall be appointed by the speaker. Two members of the Senate, one from each political party, shall be appointed the pro temp. Members shall serve three

year terms, and may serve a maximum of six years.

DESCRIPTION (continued)

The governing body or the county planning commission of Johnson County shall provide for the planning, zoning, and building within all or any portion of the unincorporated area extending 3,000 feet outward from the boundaries of Whiteman Air Force Base and the area within the perimeter of accident potential zones one and two.

The act asserts that spouses, and their unemancipated children under twenty-four years of age of military members assigned within the state under military orders shall receive in-state tuition at Missouri public higher education institutions.

The proposal also allows as a deduction from state individual income tax any income received for military service in a combat zone, as defined in the proposal. The deduction would apply to all taxable years beginning on or after January 1, 2005.

This act contains an emergency clause.

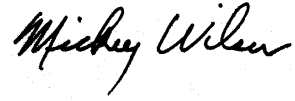
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration  
Department of Higher Education  
Department of Elementary and Secondary Education  
Department of Public Safety  
Department of Economic Development  
Department of Revenue

**NOT RESPONDING: Johnson County**

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Page 7 of 7  
April 28, 2005

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, prominent initial "M".

Mickey Wilson, CPA  
Director  
April 28, 2005