

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1863-01
Bill No.: SB 459
Subject: Business and Commerce; Employees – Employers; Insurance – Medical; Taxation and Revenue – Income
Type: Original
Date: March 15, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	\$0	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	\$0	(Unknown)*	(Unknown)*

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* – Expected to exceed \$100,000.
 Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Department of Health and Senior Services, Department of Insurance, and Department of Labor and Industrial Relations** assume this proposal would have no fiscal impact on their agencies.

Officials with the **Department of Revenue (DOR)** assume their agency would have programming costs and personnel needs to implement this proposal. However, DOR assumes it can manage these costs at current appropriations levels unless there is a material change in its other responsibilities.

Officials from the **Office of Secretary of State (SOS)** assume the proposal may result in the Department of Revenue rescinding, amending, or promulgating rules to implement the provisions of this act. These rules would be published in the Missouri Register and the Code of State Regulations. These rules could require as many as 6 pages in the Code of State Regulations and half again as many pages in the Missouri Register, as cost statements, fiscal notes, and the like are not repeated in the Code. The estimated cost of a page in the Missouri Register is \$23 and the estimated cost of a page in the Code of State Regulations is \$27. Based on these costs, the estimated cost of the proposal is \$369 in FY 06 and unknown in subsequent years. The actual cost could be more or less than the numbers given. The impact of this legislation in future years

ASSUMPTION (continued)

is unknown and depends upon the frequency and length of rules filed, amended, rescinded, or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which would require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Oversight assumes this proposal would permit an income tax deduction for small businesses and farmers that provide health insurance for employees. The deduction would be equal to 100% of expenses related to providing employees with health insurance. **Oversight** assumes that a significant number of small businesses and farmers presently provide such coverage and that this proposal could encourage others to do the same.

Oversight assumes that a portion of such expenses are presently deducted on federal tax returns, thereby presently reduced Missouri income tax liability. This proposal would create an additional deduction beyond the present amount, thereby reducing General Revenue by an unknown amount.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE			
<u>Loss</u> – Reduced Income Tax Receipts	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>(Unknown)*</u>	<u>(Unknown)*</u>
* – Expected to exceed \$100,000.			

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses could see a reduction in their income tax liabilities as a result of this proposal.

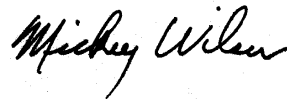
DESCRIPTION

This legislation creates an income tax deduction for small businesses and farmers that provide health insurance coverage for employees. The deduction will be equal to one hundred percent of expenses related to providing employees with health insurance.

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 Health and Senior Services
Department of Insurance
Department of Labor and Industrial Relations
Department of Revenue
Office of Secretary of State



Mickey Wilson, CPA
Director
March 15, 2005