

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1902-01
Bill No.: SB 509
Subject: Economic Development; Revenue Department; Taxation and Revenue.
Type: Original
Date: April 1, 2005

FISCAL SUMMARY

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

* Could exceed \$100,000

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

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 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

In response to a similar proposal from this year (HB 779), officials from the **Office of Secretary of State (SOS)** assumed there would be costs due to additional publishing duties related to the Department of Revenue's authority to promulgate rules, regulations, and forms. SOS estimated the division could require approximately 8 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 12 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal are estimated to be \$492, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal, however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

ASSUMPTION (continued)

Officials from the **Office of Administration - Budget and Planning** state the proposed legislation should not result in additional costs or savings to their agency, but will have an unknown negative impact on General Revenue.

Officials from the **Department of Economic Development (DED)** assume the proposal would not administratively impact their agency. DED assumes General Revenue will be negatively impacted by the credit but some positive unknown benefits may be realized by the state. DED states they are unable to project the impact and therefore, assume an unknown amount.

Officials from the **Department of Revenue (DOR)** state that it is the assumption of the Division of Taxation that this legislation would create a new tax credit for corporations to be applied to corporate income tax only. If this assumption is not correct Taxation will need to re-review.

Corporate Forms and COINS programming changes will be required. Corporate Tax assumes that any add of recapture amounts would be on the same line as the Low Income Housing Credit is captured on.

DOR assumes the impact is truly unknown until the legislation clarifies the credit. It will be difficult to estimate the impact on additional FTE's needed until such time.

Based on the agency responses, **Oversight** will assume a potential unknown loss to the General Revenue Fund for the tax credit as well potential unknown cost for the Department of Revenue to implement the program.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE FUND			
<u>Costs</u> - Department of Revenue	\$0 to	\$0 to	\$0 to
To administer new program	(Unknown)	(Unknown)	(Unknown)
<u>Loss</u> - from tax credits for purchases of qualified equity investments	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	\$0 TO <u>UNKNOWN</u>	\$0 TO <u>UNKNOWN</u>	\$0 TO <u>UNKNOWN</u>

<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

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

DESCRIPTION

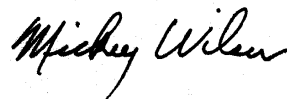
This proposal allows a taxpayer a tax credit against the taxpayers income tax liability in an amount equal to the applicable percentage of the adjusted purchase price paid to the issuer of a qualified equity investment. The total of all such credits taken by any person under this section shall not exceed such person's total combined income and franchise tax liability. The tax credit may be carried forward two years.

If any amount of the federal tax credit available with respect to a qualified equity investment which is eligible for a credit under this section is recaptured under the provisions of the Internal Revenue Code, the Department of Revenue shall have the right to recapture a portion of the credit granted with respect to such qualified equity investment. The percentage of the credit granted that may be subject to recapture will be equal to the percentage of the total federal credit earned with respect to such qualified equity investment that is recaptured under the provisions of the Internal Revenue Code.

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
Office of Administration - Budget and Planning
Office of the Secretary of State
Department of Economic Development



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