

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1036-01
Bill No.: SB 318
Subject: Business and Commerce; Economic Development, Dept.; Taxation and Revenue - General; Taxation and Revenue - Income
Type: Original
Date: March 8, 2007

Bill Summary: Would authorize an income tax credit for employer provided tuition reimbursement programs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(\$250,000)	(\$250,000)	(\$250,000)
Total Estimated Net Effect on General Revenue Fund	(\$250,000)	(\$250,000)	(\$250,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
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 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0.0	0.0	0.0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development** (DED) would anticipate minimal fiscal and administrative impact from this proposal due to the small amount of the credit cap. DED would administer the program coordinating the credit issuance with businesses.

DED assumes there would be no need for additional personnel or E&E to administer this tax credit. If volume or detail of work is larger than expected, DED would submit a budget request at a later time.

DED provided an estimated cost to the General Revenue Fund of \$250,000 for the expected tax credits.

Officials from the **Department of Revenue** (DOR) assume this legislation would establish a tax credit for qualified companies who provide tuition reimbursement programs to eligible employees, within Section 620.1878, the Quality Jobs Act.

The proposal would allow a qualified company to claim a tax credit, to be applied against state taxes due, other than withholding tax, equal to 50% of expenses actually incurred in reimbursing all or a portion of tuition expenses of eligible employees, not to exceed \$5,000 per employee. A company could not receive more than \$25,000 per tax year, and the aggregate amount could not exceed \$250,000 per year. The tax credit would not be refundable but could be transferred, sold, or assigned. Any credits exceeding the taxpayer's liability could be carried forward for 5 years.

Because this credit is written under the Quality Jobs Act, DED would be the administering agency. DOR assumes Personal Tax would require 1 Tax Processing Technician I for every 6,000 credits claimed.

DOR submitted an estimate of the cost to implement this proposal including 1.0 FTE and related benefits, equipment, and expenses totaling \$37,233 for FY 2008, \$39,085 for FY 2009, and \$40,076 for FY 2010.

ASSUMPTION (continued)

Oversight notes that DED is designated as the primary administrative agency in the proposal and that the maximum credit would be \$5,000 per employee or \$25,000 per qualified company. Thus, the maximum credit amount of \$250,000 would likely be used by a small number of employers. Oversight assumes that DOR could process a limited number of credit claims with existing resources. If unanticipated costs are incurred or if multiple proposals are enacted which increase the DOR workload, resources could be requested through the budget process.

Oversight assumes the full authorized amount of tax credits available would be claimed each year. Oversight has shown the full cost of the tax credits in the General Revenue Fund, although the tax credits could be used by insurance companies and result in fiscal impact to other state and local funds.

Officials from the **Department of labor and Industrial Relations** assume this proposal would have no fiscal impact to their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE			
<u>Revenue reduction - DOR</u>			
Tax credit for tuition reimbursement programs	<u>(\$250,000)</u>	<u>(\$250,000)</u>	<u>(\$250,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$250,000)</u>	<u>(\$250,000)</u>	<u>(\$250,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses which offer a tuition reimbursement program.

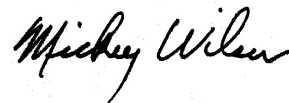
FISCAL DESCRIPTION

This proposal would authorize an income tax credit for employer provided tuition reimbursement programs.

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 Economic Development
Department of Revenue
Department of labor and Industrial Relations



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Director
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