

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2375-02
Bill No.: HCS for SB 582
Subject: County Collectors: Delinquent Taxes, Tax Credits, Sales Taxes, Motor Vehicles
Type: Original
Date: April 30, 2007

Bill Summary: Changes provisions governing collection of delinquent property taxes, provides for tax credits for numerous items.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(\$193,602 to Unknown)	(\$8,337,806 to Unknown)	(\$12,103,117 to Unknown)
Total Estimated Net Effect on General Revenue Fund	(\$193,602 to Unknown)	(\$8,337,806 to Unknown)	(\$12,103,117 to Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
School District Trust	(Unknown)	(Unknown)	(Unknown)
Conservation Commission Trust	(Unknown)	(Unknown)	(Unknown)
Parks and Soil	(Unknown)	(Unknown)	(Unknown)
Blind Pension Trust	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 29 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
General Revenue	9 FTE	9 FTE	9 FTE
Total Estimated Net Effect on FTE	9 FTE	9 FTE	9 FTE

☐ 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	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Sections 52.361, 52.370, 55.140, 55.190, 139.031 etal. COUNTY COLLECTORS, COLLECTIONS:

In response to identical legislation, HB 125, fiscal note 712-01, the following fiscal impact statements were made:

Officials of the **Office of the State Auditor** assume there would be no fiscal impact to the State Auditor's office.

Officials of the **State Tax Commission** assume no fiscal impact to the commission.

Officials of the **Department of Revenue** assume no fiscal impact.

Officials of the **Missouri State Tax Commission** stated this proposal would have no fiscal impact to their agency.

The **Jefferson County Collector, Boone County Collector, and the Cole County Collector** assume no fiscal impact.

Sections 67.1003, 67.1360, 67.2500, 67.2505, 67.2510, 89.010, and 89.400 Theater, Cultural, Arts, and Entertainment District, and Transient Guest Taxes:

In response to identical legislation, HCS for SB 81 fiscal note 259-04, the following fiscal impact statements were made:

Officials from the **Office of the State Courts Administrator** assume the proposal would not have a fiscal impact on the courts.

Officials from the counties of **Clay, Jackson, Boone, Franklin and Jasper** as well as the cities of **Gladstone and Sullivan** did not respond to our request for fiscal impact.

The **Boone County Treasurer** stated this proposal would have no impact on Treasurers in the state.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** state this legislation will not have a fiscal impact on their agency. However, the department has included some comments from Office of Administration ITSD - DOR .

Office of Administration Information Technology (ITSD DOR) estimates the IT portion of this request can be accomplished within existing resources, however; if priorities shift, additional FTE/overtime would be needed to implement. Office of Administration Information Technology (ITSD DOR) estimates that this legislation could be implemented utilizing 2 existing CIT III for 2 months at a rate of \$16,744.

Oversight assumes the proposal is permissive in nature. It allows local political subdivisions to create a theater, cultural arts and entertainment districts as well as allows certain cities to impose a transient guest tax. Oversight will assume a \$0 to unknown fiscal impact to local political subdivisions. These taxes are subject to voter approval. Oversight will also assume DOR may retain 1 percent of the potential sales tax revenue generated within the new theater, cultural arts and entertainment districts.

Oversight assumes that in both the districts allowed by this proposal that the annual costs of promoting allowed projects would not exceed annual income from either a sales tax or a transient guest tax resulting in either an annual positive fund balance or a zero fund balance. For purposes of this fiscal note annual fund balances will be shown as zero.

Sections 71.011 and 71.012 Requires land transfers between municipalities to be filed with the County Assessor.

Oversight assumes that this proposal would have no state or local fiscal impact. Current law requires cities to file a certified copy of each ordinance of detachment and annexation with the County Clerk, County Recorder of Deeds, and with the Circuit Court Clerk. **Oversight** assumes to file a copy with the County Assessor would have no fiscal impact.

Section 94.660 - ST. LOUIS CITY AND COUNTY TRANSPORTATION DISTRICT:

In response to identical legislation SB 605 fiscal note 2199-04 the following fiscal impact statements were issued:

Officials of the **Department of Revenue** assume no fiscal impact to the department.

ASSUMPTION (continued)

Officials of the office of the **Director of Administration of St. Louis County** assumes no fiscal impact.

Oversight assumes that by removing the “coupling provision” contained in current law, would make establishing the sales tax easier to impose in either jurisdiction. Current law requires passage by both the City of St. Louis and St. Louis County before either could impose a sales tax for transportation purposes. **Oversight** assumes no state or local fiscal impact.

Sections 135.010, 135.030, and 137.106 - SENIOR CITIZEN’S HOMESTEAD TAX RELIEF ACT:

In response to similar/identical legislation HB 457 fiscal note 1084-02, the following fiscal impact statements were made:

EPARC assumes that 7,043 filers would switch from the current circuit breaker provision and receive a total of \$7.7 million in tax credits. Those taxpayers who switch would forego the circuit breaker tax provision and would lose \$4.1 million in tax credits. An additional 5,102 filers would continue to use the circuit breaker provision and receive \$3.4 million in tax credits. EPARC calculated the net General Revenue Fund impact as a net loss of \$7 million per year.

Oversight assumes for purposes of this fiscal note that the reduction in General Revenue Fund tax revenues would be constant. The actual reduction in future years would likely depend on changes in property taxes and income levels among eligible taxpayers, and on other changes to the state's tax provisions.

Officials from the **State Tax Commission** assume this proposal would have no fiscal impact on their organizations.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State** (SOS) provided this response to the current version of the proposal.

Many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$2,500. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials of the **Department of Health and Senior Services** assume no fiscal impact to their department.

The **Department of Revenue** provided a response to the current version of the proposal which indicated a total of six additional FTE and the related equipment, expense, and temporary employees totaling \$246,729 for FY 2008, \$298,199 for FY 2009, and \$307,145 for FY 2010.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional staff to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. In addition, Oversight has reduced certain equipment and expense items in accordance with Office of Administration budget guidelines. Oversight assumes that the relatively small number of additional staff can be located in existing office space. Since the proposed credit for property taxes paid would be effective for tax years beginning after January 1, 2008, Oversight assumes DOR would incur that additional cost beginning in FY 2009.

ASSUMPTION (continued)

Section 135.097 SALES TAX EXEMPTION FOR FENCING MATERIALS FOR AGRICULTURE PURPOSES:

In response to similar/identical legislation, HB 477 fiscal note 1092-01, the following fiscal impact statements were made:

Officials from the **Department of Agriculture** assume the proposal would not fiscally impact their agency.

Officials from the **Department of Revenue** (DOR) assume this proposal would create an exemption from sales and use tax on fencing materials used for agricultural purposes. Exemptions reduce tax due; therefore, the proposal would reduce state revenues.

Oversight could not find information regarding annual expenditures on agricultural fencing to formulate an estimate of the fiscal impact of this proposal. Therefore, Oversight will assume an unknown loss of revenue to the various state and local sales tax funds resulting from this proposal.

Section 135.090 - TAX CREDIT for SURVIVING PUBLIC SAFETY OFFICERS SPOUSES:

In response to similar/identical legislation, HB 176 fiscal note 612-01, the following fiscal impact statements were made:

Officials from the **Office of Administration, Division of Budget and Planning** assume there would be no added cost to their organization as a result of this proposal, and deferred to the Department of Revenue for an estimate of the revenue reduction from the tax credits authorized.

Officials from the **Office of the Secretary of State** (SOS) provided the following response:

Many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$2,500.

ASSUMPTION (continued)

The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Conservation**, the **Department of Natural Resources**, the **Department of Public Safety, Division of Fire Safety, Capitol Police**, and **Missouri Highway Patrol**, the **Department of Revenue**, the **Department of Transportation**, and the **City of Centralia** assume this proposal would have no fiscal impact on their organizations.

Officials from the **Department of Public Safety, Office of the Director** stated the number of law enforcement deaths (including Department of Corrections) in the past several years was 1 in 2006, 8 in 2005, 3 in 2004, 2 in 2003, 6 in 2002, 6 in 2001 and 5 in 2000. These numbers do not include firefighters, park rangers, emergency medical technicians or other categories of public safety officers eligible under the proposal. Assuming the number of public safety officers dying in the line of duty per year of 10 and a property tax bill of \$1,500, this would result in loss of general revenue of \$15,000 in a given year. Many factors could impact this estimate, therefore, Oversight will assume the proposal would have negative fiscal impact on General Revenue, expected to be less than \$100,000.

Officials from the **Office of the Clay County Assessor** and the **City of Poplar Bluff** responded without indicating an estimate of the fiscal impact on their organization.

Officials from the **Office of the Cole County Assessor** stated that they could not estimate the fiscal impact of this proposal.

Officials from the **Office of the St. Louis County Assessor** (Assessor) stated that implementing the proposal would require their organization to make some computer systems changes estimated at a cost of \$20,000. The Assessor estimated a minimal revenue reduction.

Officials from the **Office of the Boone County Collector** assume this proposal would have no fiscal impact on their organization unless an official receipt is required by the Department of Revenue. The statutory charge of \$1 for a duplicate receipt would increase revenue by an insignificant amount.

ASSUMPTION (continued)

Officials from **Nodaway County** assume this proposal would have very little fiscal impact on their organization.

Section 135.610 - TAX CREDIT FOR VOLUNTEER FIREFIGHTERS:

In response to similar/identical legislation HCS for HB 100 fiscal note 340.02, the following fiscal impact statements were issued:

Officials from the **Department of Public Safety - Office of the Director** assume the proposal would not fiscally impact their agency.

Officials from the **Department of Public Safety - Fire Safety (DFS)** state this legislation will provide for a tax credit for volunteer fire fighters who meet specific training requirements. This legislation provides for a tax credit of \$180 annually for volunteers who complete 12 hours of training approved by DFS. Additionally, the legislation provides a \$360 tax credit for volunteer fire fighters who complete 36 hours of basic fire fighting annually. According to the legislation, DFS would be responsible for developing procedures for this process, administering the training programs and verifying the fire fighter is in good standing with a registered fire department, and verifying the training hours for individuals applying for the credit.

The Division of Fire Safety has administered and maintained a training and certification program for fire fighters for nearly 20 years. Due to the number of fire fighters and emergency responders who have been previously trained and certified, adding this requirement would increase the workload of the program. Therefore, the Division would request an Office Support Assistant (at \$20,480 annually) to process and evaluate the applications for tax credit eligibility, along with supporting expense funding to administer these additional duties.

DFS estimates there are 625 volunteer fire departments with 12,652 fire fighters. Additionally, there are 80 part volunteer/part paid departments with another 3,211 fire fighters in the State of Missouri.

The division currently offers 15 levels of certification and numerous training programs and has issued over 48,000 certifications since the program's implementation in 1986.

ASSUMPTION (continued)

This number will only continue to grow as there are approximately 1,326 individuals certified at these levels annually.

DFS assumes a cost to the General Revenue Fund for this additional FTE to be roughly \$33,000 per year.

Officials from the **Department of Revenue (DOR)** state that based on figures provided by the State Fire Marshal's Office, there are 625 volunteer fire departments in the state of Missouri, containing a total of 12,652 volunteer firefighters. There are also listed, 80 departments that file with the Marshal's Office as "part-paid/part-volunteer", meaning some of their crew are paid

personnel & the rest are on a volunteer basis. The firefighters located in these 80 departments total 3,211; however, there is no way of determining how many from each department is paid and how many are on a volunteer basis. DOR's figures will be based only on the 12,000 volunteer firefighters.

The Personal Tax section would require 1 Tax Processing Technician I for every 6,000 credits claimed with the carry-forward provisions (total = 2 FTE (12,000 firefighters / 6,000 credits claimed)).

Due to the Statewide Information Technology Consolidation, the department's response to a proposal will now also reflect the cost estimates prepared by OA-IT for impact to the various systems. As a result, the impact shown may not be the same as previous fiscal notes submitted. In addition, if the legislation is Truly Agreed to and Finally Passed the OA-IT costs shown will be requested through appropriations by OA-IT.

Office of Administration Information Technology (ITSD DOR) estimates the IT portion of this request can be accomplished within existing resources, however; if priorities shift, additional FTE/overtime would be needed to implement. Office of Administration Information Technology (ITSD DOR) estimates that this legislation could be implemented utilizing 3 existing CIT III for 2 months and an additional 5 CIT III for 2 months at a rate of \$66,976.

In summary, DOR estimates an annual cost of roughly \$80,000 for the 2 additional FTE.

ASSUMPTION (continued)

Oversight has, for fiscal note purposes only, changed the starting salary for DOR's Tax Processing Tech Is to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight also assumes DOR will not incur additional floor space expense for the two additional FTE and has taken this expense out of DOR's estimate.

Officials from the **Office of Administration - Budget and Planning (BAP)** state this proposal creates a \$180 income tax credit for volunteer firefighters that meet certain training requirements, or \$360 if additional training requirements are met. The Department of Public Safety estimates there are approximately 13,000 volunteer firefighters that might qualify for the \$180 credit, which would reduce Total and General State Revenues by \$2.34 million. If all these volunteers qualify for the \$360 credit, general and total state revenues would be reduced an additional \$2.34 million.

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight will range the fiscal impact of the tax credit from \$0 (no firefighters taking advantage of the credit) to \$4.68 million (estimated 13,000 volunteer firefighters x \$360 maximum tax credit) in losses to the General Revenue Fund. The fiscal impact could be substantially less if fewer firefighters apply for the credit and if those that do apply for the credit only qualify for the \$180 credit instead of the \$360 credit. The credit is for tax years beginning on or after January 1, 2007, therefore, Oversight will show a potential loss from the proposal in FY 2008.

ASSUMPTION (continued)

Oversight compared the total tax credit issuances relative to the total tax credit redemptions for the previous three years in order to determine a relationship between the two. Oversight discovered that the annual redemptions ranged from 79 percent to 86 percent of the annual issuances. Depending on the program, the redeemed credits may have been issued several years prior and carried forward to the years studied; however, Oversight will utilize an estimated redemption total of 83 percent of tax credits issued. Therefore, under this proposal, if \$4,680,000 of credits are issued, Oversight would assume \$3,884,400 (83%) of credits to be redeemed, reducing Total State Revenues.

Section 143.431 - CALCULATION OF CORPORATE OPERATING LOSSES AND DEPRECIATION DEDUCTIONS:

In response to similar/identical legislation HB 129 fiscal note 725-01 the following fiscal impact statements were made:

Officials from the **Department of Revenue** (DOR assume this proposal would allow a Missouri corporation in effect to create a new Missouri net operating loss (NOL), carry it forward 20 years to offset taxable income, and thus pay less tax. DOR assumed the proposal would have no fiscal impact on their organization.

Information Technology (ITSD/DOR) estimates the IT portion of this request could be accomplished within existing resources, however; if priorities shift, additional FTE/overtime would be needed to implement. ITSD/DOR estimates that this proposal could be implemented utilizing 3 existing CIT III for 1 month at a cost of \$12,558.

DOR did not provide an estimate of the impact to state revenues which would result from this proposal.

Officials from the **University of Missouri, Economic Policy and Research Center** (EPARC) stated they do not have the information on Missouri corporations' federal net operating losses that would be necessary to estimate the fiscal impact of this proposal.

Although officials from the **Office of Administration, Division of Budget and Planning** (BAP) did not respond to our request for information, they stated that a similar proposal in the previous session (HB 1966 LR 5536-01) would make changes to the calculation of net operating losses.

ASSUMPTION (continued)

BAP stated they do not have the requisite data to calculate the potential impact of this legislation. They stated the proposal would have an unknown, potentially negative, impact on general and total state revenues.

Oversight has no empirical basis to estimate the impact to state revenue collections from this proposal. Therefore, based upon the responses from EPARC, BAP, and DOR, Oversight will assume an unknown reduction in General Revenue Collections for all fiscal years in the fiscal note, possibly exceeding \$100,000.

Section 144.030 - SALES TAX EXEMPTION for ELECTRICITY USED IN MANUFACTURING:

In response to similar/identical legislation HB 368 fiscal note 782-01 the following fiscal impact statements were made:

Officials from the **Department of Conservation** (MDC) stated that the proposed legislation could have a fiscal impact on MDC funds. However, MDC is unable to provide an estimated impact and will rely on DOR for fiscal impact of this legislation.

Officials from the **Department of Economic Development** and the **Department of Revenue** (DOR) assume the proposal would have no fiscal impact on their agencies. DOR did not provide an estimate of the impact on state revenues.

Officials from the **Office of Administration, Division of Budget and Planning**, and the **Department of Economic Development, Public Service Commission**, did not respond to our request for information.

Oversight assumes this proposal would result in an unknown negative fiscal impact on the state's General Revenue Fund and other state funds which receive sales tax revenues, and on local governments.

Section 144.030 also changes the laws regarding the exemption from sales and use tax for electricity used in manufacturing. This section allows a full exemption for common carriers. Allows an exemption for recovered materials. Allows an exemption for textbooks for liberal arts, humanities, or sciences or in a professional, vocational, or technical field.

ASSUMPTION (continued)

Section 144.053 - SALES TAX EXEMPTION for FULFILLING USA GOVT. CONTRACTS:

In response to similar/identical legislation HCS for HB 127 fiscal note 723-02 the following fiscal impact statements were made:

Officials from the **Department of Conservation** (MDC) stated that the proposed legislation could have a fiscal impact on MDC funds. However, MDC is unable to provide an estimated impact and will rely on DOR for fiscal impact of this legislation.

Officials from the **Department of Revenue** (DOR) assume the proposal would have no fiscal impact on their agencies. DOR did not provide an estimate of the impact on state revenues.

Officials from the **Office of Administration, Division of Budget and Planning** did not respond to our request for information.

Officials from the Cities of **Mexico** and **St. Robert**, and the Counties of **Callaway**, **Clay**, and **Pulaski** did not respond to our request for information.

Officials from the **City of Poplar Bluff** were not able to provide an estimated impact but assumed there would be a negative impact because of all the government contracts that are conducted in the area.

Oversight assumes this proposal would result in an unknown negative fiscal impact on the state's General Revenue Fund and other state funds which receive sales tax revenues, and on local governments.

Section 144.055 - SALES TAX EXEMPTION FOR LOCAL GOVERNMENTS:

In response to similar/identical legislation HB 130 fiscal note 715-01 the following fiscal impact statements were made:

ASSUMPTION (continued)

Officials from the **Department of Conservation**, the **Department of Revenue**, **Lincoln University**, **Missouri State University**, the **University of Central Missouri**, **Kansas City Metropolitan Community Colleges**, **Linn State Technical College**, **Moberly Area Community College**, **St. Louis Community College**, the **Missouri Higher Education Loan Authority**, and **Jackson County**, assume this proposal would have no fiscal impact on their organizations.

Officials from the **University of Missouri** assume their organization would incur no additional costs as a result of this proposal.

Officials from **St. Louis County** stated that any exemptions to sales tax would amount to a loss in revenue for the County. In this case we do not have a good idea of the magnitude because we do not know what percent of County sales would fall into this category.

Officials from the **City of Centralia** assume this proposal would likely have no fiscal impact on their organization since they do not anticipate any Chapter 100 projects.

Officials from the **City of North Kansas City** assume this proposal would have only a minimal impact on their organization.

Oversight assumes that any revenue losses to local governments as a result of this

Sections 144.070, 144.440, and Section 1 MOTOR VEHICLES SALES TAX:

In response to similar/ identical legislation HB 104 fiscal note 285-02, the following fiscal impact statements were made:

Officials from the **Office of the Secretary of State** (SOS) stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$2,500. The SOS recognizes that

this is a small amount and does not expect that additional funding would be required to meet these costs.

ASSUMPTION (continued)

However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Conservation** (MDC) stated that the proposal would specify that the sales tax exemption for converting a vehicle to handicapped accessible includes vehicles modified before purchase. This proposed legislation would not appear to have fiscal impact on MDC funds.

Officials from the **Department of Revenue** and the **Department of Social Services** assume this proposal would have no fiscal impact on their organizations.

Officials from the **Department of Health and Senior Services** assumed that a previous version of this proposal would have no fiscal impact on their organization.

Oversight assumes this proposal clarifies an existing sales tax exemption and, therefore, would have no impact on Total State Revenue.

Section 144.518 - CLARIFICATION OF SALES TAXATION ON AMUSEMENT AND VENDING MACHINES:

In response to similar/identical legislation HB 921 fiscal note 2151-01 the following fiscal impact statements were made:

Officials from the **Department of Revenue** assume this proposal would have no fiscal impact on their organization.

Oversight assumes this proposal would clarify an existing exemption and would have no

significant fiscal impact on state or local government organizations.

ASSUMPTION (continued)

Section 320.093 - INCOME TAX CREDIT FOR DRY FIRE HYDRANT SYSTEM:

In response to similar/identical legislation HB 662 fiscal note 1354-01 the following fiscal impact statements were made:

Officials from the **Office of Administration - Budget and Planning (BAP)** state this bill transfers the administration of this credit from the Department of Economic Development to the Department of Public Safety. The proposal also extends the expiration date of the credit from August 28, 2003, to August 28, 2011. This legislation will reduce general and total state revenues by \$13,000 - \$18,000 annually, based on actual redemptions reported in FY's 2004 and 2005.

Officials from the **Department of Revenue** assume the proposal would not fiscally impact their agency.

Officials from the **Department of Public Safety - Division of Fire Safety (DFS)** state this legislation was effective in 2000 - 2004. At this time, there are 48 dry fire hydrant applications received by DFS. Requests totaled \$175,353 in income tax credits, with credits issued totaling \$120,352. DFS assumes this proposal will not fiscally impact their agency.

Officials from the **Department of Economic Development (DED)** state they will be required to review applications for tax credits for this program based on receipt of approval from the State Fire Marshall. DED assumes program administration will require .5 FTE and associated costs.

Oversight assumes DED can administer the extension of this program with existing resources.

This program sunset on August 28, 2003. According to DED's Tax Credit Analysis report for this program, \$28,246 of credits were issued in FY 2004 and none since. Without this proposal, no additional credits would be issued. However, with the extension of the sunset date to August

28, 2011, **Oversight** will assume the state could realize a loss of tax revenue from the credits for all three fiscal years within the scope of the fiscal note. Therefore, Oversight will range the loss of tax revenue from these credits from \$0 (no additional credits redeemed) to the program's annual limit of \$500,000.

ASSUMPTION (continued)

Oversight compared the total tax credit issuances relative to the total tax credit redemptions for the previous three years in order to determine a relationship between the two. Oversight discovered that the annual redemptions ranged from 79 percent to 86 percent of the annual issuances. Depending on the program, the redeemed credits may have been issued several years prior and carried forward to the years studied; however, Oversight will utilize an estimated redemption total of 83 percent of tax credits issued. Therefore, under this proposal, if \$500,000 of additional credits are issued, Oversight would assume \$415,000 (83%) of credits to be redeemed, reducing Total State Revenues.

Oversight assumes this proposal could result in some economic benefits for the state. However, Oversight assumes these benefits would be considered indirect and have not reflected them in the fiscal note.

This proposal will decrease Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
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GENERAL REVENUE FUND

Income - Department of Revenue
1 percent collection fee on sales tax
revenue of new theater, cultural arts and
entertainment districts. (Sections 67.2500
and 67.2510)

<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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Costs - Department of Public Safety

RWB:LR:OD (12/02)

Personal Service (1 FTE)	(\$17,579)	(\$21,727)	(\$22,379)
Fringe Benefits	(\$7,956)	(\$9,834)	(\$10,129)
Expense and Equipment	<u>(\$4,063)</u>	<u>(\$1,236)</u>	<u>(\$1,273)</u>
<u>Total Costs</u> - DPS (Section 135.610)	<u>(\$29,598)</u>	<u>(\$32,797)</u>	<u>(\$33,781)</u>

FTE Change - DPS	1 FTE	1 FTE	1 FTE
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<u>FISCAL IMPACT - State Government</u> (continued)	FY 2008 (10 Mo.)	FY 2009	FY 2010
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Cost - Department of Revenue

Personal Service (6.0 FTE)	(\$53,460)	(\$132,154)	(\$136,118)
Fringe Benefits	(\$23,554)	(\$58,226)	(\$59,974)
Tax Season Temporary	(\$6,180)	(\$7,638)	(\$7,868)
Expense and Equipment	<u>(\$16,551)</u>	<u>(\$3,109)</u>	<u>(\$3,202)</u>
<u>Total cost</u> - Department of Revenue	<u>(\$99,745)</u>	<u>(\$201,127)</u>	<u>(\$207,162)</u>
FTE Change- DOR (Sections 135.010, 135.030, and 137.106)	6 FTE	6 FTE	6 FTE

Costs - Department of Revenue (DOR)

Personal Service (2 FTE)	(\$36,132)	(\$44,660)	(\$45,999)
Fringe Benefits	(\$16,353)	(\$20,213)	(\$20,819)
Expense and Equipment	<u>(\$11,774)</u>	<u>(\$1,036)</u>	<u>(\$1,068)</u>
<u>Total Costs</u> - DOR (Section 135.610)	<u>(\$64,259)</u>	<u>(\$65,909)</u>	<u>(\$67,886)</u>
FTE Change - DOR	2 FTE	2 FTE	2 FTE

Cost - Reimbursement of Homestead

Exemption Tax Credits (Sections 135.010, 135.030, & 137.106)	<u>\$0</u>	<u>\$0</u>	<u>(\$3,884,787)</u>
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Loss - Sales Tax Exemption

(Section 135.097)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>Loss</u> - Tax Credit for volunteer firefighter training (Section 135.610)	<u>\$0 to (\$4,680,000)</u>	<u>\$0 to (\$4,680,000)</u>	<u>\$0 to (\$4,680,000)</u>
<u>Loss</u> – Sales Tax Exemption (Section 144.053)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Loss</u> - Department of Revenue Net Operating Loss calculation changes (Section 143.431)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT - State Government</u> (continued)	FY 2008 (10 Mo.)	FY 2009	FY 2010
<u>Loss</u> – Sales Tax Exemption (Section 144.030)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Loss</u> - Department of Revenue Dry Fire Hydrant tax credit (section 320.093)	<u>\$0 to (\$500,000)</u>	<u>\$0 to (\$500,000)</u>	<u>\$0 to (\$500,000)</u>
<u>Revenue reduction</u> - Property tax credit (Sections 135.010, 135.030, & 137.106)	<u>\$0</u>	<u>(More than \$937,973)</u>	<u>(More than \$909,501)</u>
<u>Revenue reduction</u> - Tax credit for property taxes paid (Sections 135.010, 135.030, & 137.106)	<u>\$0</u>	<u>(\$7,000,000)</u>	<u>(\$7,000,000)</u>
<u>Revenue reduction</u> - tax credits (Section 135.090)	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	<u>(\$193,602 to Unknown)</u>	<u>(\$8,337,806 to Unknown)</u>	<u>(\$12,103,117 to Unknown)</u>

OTHER STATE FUNDS

<u>Loss</u> – School District Trust Fund Sales Tax Exemption (Section 144.053)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>Loss</u> – School District Trust Fund Sales Tax Exemption (Section 144.030)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>FISCAL IMPACT - State Government</u> (continued)	FY 2008 (10 Mo.)	FY 2009	FY 2010
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<u>Loss</u> – School District Trust Fund Sales Tax Exemption (Section 135.097)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT TO SCHOOL DISTRICT TRUST FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>Loss</u> – Conservation Commission Fund Sales Tax Exemption (Section 144.053)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>Loss</u> – Conservation Commission Fund Sales Tax Exemption (Section 144.030)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>Loss</u> – Conservation Fund Sales Tax Exemption (Section 135.097)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT TO CONSERVATION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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Loss – Parks and Soil Fund

Sales Tax Exemption (Section 135.097)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>Loss</u> – Parks and Soil Fund Sales Tax Exemption (Section 144.053)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>Loss</u> – Parks and Soil Fund Sales Tax Exemption (Section 144.030)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>FISCAL IMPACT - State Government</u> (continued)	FY 2008 (10 Mo.)	FY 2009	FY 2010
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ESTIMATED NET EFFECT TO PARKS AND SOIL FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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BLIND PENSION FUND

Revenue - reimbursement from appropriation for Homestead Exemption Tax Credits	\$0	\$0	\$19,424
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Revenue Reduction - Homestead Exemption Tax Credits	<u>\$0</u>	<u>\$0</u>	<u>(\$19,424)</u>
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ESTIMATED NET EFFECT TO THE BLIND PENSION FUND (Sections 135.010, 135.030, & 137.106)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT</u> - Local Government	FY 2008 (10 Mo.)	FY 2009	FY 2010
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LOCAL GOVERNMENT

LOCAL POLITICAL SUBDIVISIONS

Income - Cities and Counties for sales tax in Theater, Cultural Arts, and Entertainment District	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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Cost - Cities and Counties Promotion of Educational, Cultural, Musical, Civic, etc. programs.	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
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<u>FISCAL IMPACT</u> - Local Government	FY 2008 (10 Mo.)	FY 2009	FY 2010
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Total Estimated Net Effect to Certain Political Subdivisions (Sections 67.2500 and 67.2510)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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CERTAIN CITIES TOURISM TRUST FUND (Sections 67.1003 and 67.1360)

Income - Cities for transient guest tax	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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Cost - From promotion of tourism	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
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<u>Estimated Net Effect</u> to Certain Cities Tourism Trust Funds.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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LOCAL GOVERNMENTS

<u>Revenue</u> - reimbursement from appropriation for Homestead Exemption Tax Credits (Sections 135.010, 135.030, & 137.106)	\$0	\$0	\$3,884,787
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<u>Revenue Reduction</u> - Homestead Exemption Tax Credits (Sections 135.010, 135.030, & 137.106)	\$0	\$0	(\$3,884,787)
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<u>Estimated Net Effect</u> to Certain Local Governments	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT</u> - Local Government	FY 2008 (10 Mo.)	FY 2009	(FY 2010
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<u>Loss</u> – Local Sales Tax Revenues Sales Tax Exemption (Section 135.097 and 144.030)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>Loss</u> – Local Sales Tax Revenues Sales Tax Exemption (Section 144.030)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>Loss</u> – Local Sales Tax Revenues Sales Tax Exemption (Section 144.053)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT TO LOCAL GOVERNMENT	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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FISCAL IMPACT - Small Business

Various sales tax exemptions, and tax credits could positively impact small businesses.

FISCAL DESCRIPTION

RWB:LR:OD (12/02)

Sections 52.361, 52.370, 55.140, 55.190, 139.031, 139.140, 139.150, 139.210, 139.220, 140.050, 140.070, 140.080, 140.160, 140.730, 165.071 allows first classification counties without a charter form of government and second classification counties to collect property taxes using electronic records and disbursements. The bill requires taxing authorities to request notification of current taxes paid under protest by February 1 and requires the county collector to provide the information by March 1. Delinquent personal property taxes are subject to the same interest and penalties as delinquent real property taxes.

Sections 67.1003, 67.1360, 67.2500, 67.2505, 67.2510, 89.010, and 89.400 These sections provide for the creation of Theater, Cultural, Arts, and Entertainment District. Currently, only St. Charles County and its municipalities are allowed to form a theater, cultural arts, and entertainment district.

DESCRIPTION (continued)

This bill allows the governing body of any county or city that has adopted transect-based zoning under Chapter 89, RSMo, and the counties of Boone, Jasper Franklin, Clay, or Jackson and their municipalities to form a district.

These sections also:

- (1) Allows the district to fund infrastructure projects;
- (2) Reduces the number of contiguous acres the district must include from 50 to 25;
- (3) Requires, instead of allows, the governing body of the city or county in which a district is proposed to pass a resolution describing the district when a petition for its creation is filed;
- (4) Allows the city of Gladstone, and the City of Sullivan and the portion of the Sullivan C-2 School District located in Franklin County to impose a transient guest tax of up to 5%; and
- (5) Repeals the duplicate of Section 67.2505.

Section 94.660 Provides that the “coupling Provision” of Section 94.660, which currently requires both the City of St. Louis and St. Louis County to approve a transportation sales tax before a transportation sales tax can go into effect in either jurisdiction, shall not apply to any taxes approved by the voters on or after August 28, 2007.

Sections 135.010, 135.030, and 137.106 These sections make changes in the Senior Property Tax Credit (Circuit Breaker) and Homestead Property Tax Credit programs, and would authorize a

tax credit for certain elderly and disabled individuals for real property taxes paid.

Section 135.097 This section exempts fencing materials used for agricultural purposes from state and local sales and use taxes.

Section 135.090 This section would provide an individual income tax credit for real property taxes paid by surviving spouses of certain public safety officers.

Section 135.610 of this proposal authorizes a \$180 income tax credit for volunteer firefighters who complete at least 12 hours of any firefighter training program approved by the State Fire Marshal.

DESCRIPTION (continued)

If the firefighter has completed the State Fire Marshal's thirty-six hour basic firefighter program or a firefighter training program approved by the State Fire Marshal, the firefighter may claim a \$360 credit. The tax credit is not refundable but can be carried forward for four years.

The provisions of the bill will expire six years from the effective date.

Section 143.431 The proposal would change the way corporate net operating losses are calculated and remove the restriction for specific depreciation deductions.

Section 144.030 This section changes the laws regarding the exemption from sales and use tax for electricity used in manufacturing. This section allows a full exemption for common carriers. Allows an exemption for recovered materials. Allows an exemption for textbooks for liberal arts, humanities, or sciences or in a professional, vocational, or technical field.

Section 144.053 This section provides a sales tax exemption for purchases made for fulfilling United States government contracts.

Section 144.055 This section provides an exemption from sales tax for sales and leases of tangible personal property by local governments provided such sale or lease is authorized by Chapter 100, RSMO.

Sections 144.070, 144.440, and Section 1 These sections specify that the sales tax exemption for converting a vehicle to handicapped accessible includes vehicles modified before purchase.

Section 144.518 Would exempt from sales tax amounts paid for temporary use of coin-operated amusement devices and also exempts vending machines.

Section 320.093 This section transfers from the Department of Economic Development to the Department of Public Safety the duty of certifying when a dry fire hydrant system meets the requirements to obtain an income tax credit and extends the expiration date of the credit from August 28, 2003, to August 28, 2011.

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 the Secretary of State
Office of the State Auditor
Office of State Courts Administrator
Office of Administration - Information Technology (ITSD DOR)
Office of Administration - Budget and Planning
Department of Economic Development
Department of Health and Senior Services
Department of Revenue
Department of Public Safety - Fire Safety
Missouri State Tax Commission
Department of Agriculture
Department of Conservation
Department of Natural Resources
Department of Transportation
University of Missouri, Economic Policy and Research Center
Jefferson County Collector of Revenue
Boone County Collector of Revenue
Cole County Collector of Revenue
Director of Administration - St. Louis County
St. Louis County Assessor
Cole County Assessor
Clay County Assessor
Nodaway County
Boone County Treasurer

RWB:LR:OD (12/02)

Lincoln University
Missouri State University
University of Central Missouri
Kansas Metropolitan Community College
Linn State Technical College
Moberly Area Community College
St. Louis Community College
Missouri Higher Education Loan Authority
Jackson County
City of Centralia
City of North Kansas City

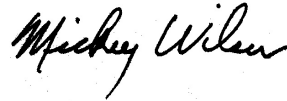
NOT RESPONDING

Callaway County Collector
Cape Girardeau County Collector
Cass County Collector
Clay County Collector
Franklin County Collector
Jackson County Collector
New Madrid County Collector
Platte County Collector
City of Gladstone
City of Independence
Kansas City
City of Rolla
City of Springfield
City of Sullivan
Buchanan County
Greene County Collector
Jackson County Executive
Jackson County Public Administrator
Lincoln County
Moniteau County
Scotland County
Texas County
Pulaski County Collector
Monroe County Collector

RWB:LR:OD (12/02)

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Bill No. HCS for SB 582
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Texas County Collector
Marion County Collector

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, stylized 'M' and 'W'.

Mickey Wilson, CPA
Director
April 30, 2007