

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3128-01
Bill No.: SB 771
Subject: Military Affairs; Taxation and Revenue - Income
Type: Original
Date: January 17, 2008

Bill Summary: This proposal would create an income tax credit for contributions made to provide military personnel with armored protection.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(Up to \$2,000,000)	(Up to \$2,000,000)	(Up to \$2,000,000)
Total Estimated Net Effect on General Revenue Fund	(Up to \$2,000,000)	(Up to \$2,000,000)	(Up to \$2,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	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 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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 the 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. 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 Public Safety, Missouri Veterans Commission**, assume this proposal would have no fiscal impact on their organization.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume this proposal would create no added cost to their organization.

BAP officials stated that this proposal would create a tax credit for contributions for the purpose of providing protection for the members of the US armed forces. The program is capped at \$2 million annually. Therefore, general and total state revenues could be reduced by this amount annually.

Oversight assumes this proposal would result in a reduction in state revenues up to the \$2,000,000 annual cap.

ASSUMPTION (continued)

Officials from the **Department of Revenue** (DOR) assume this proposal would establish a new tax credit, which would reduce the amount of tax due and therefore would reduce state revenues.

Beginning January 1, 2008, the proposal would allow an individual taxpayer to claim a credit towards the taxes imposed by chapter 143, except withholding taxes. The amount would be equal to 100% of the amount of contributions made to provide United States military personnel with armored protection, but could not exceed \$1,000. The credits claimed could not exceed the taxpayer's liability for the tax year claimed but could be carried forward for 5 succeeding tax years, until the full amount has been claimed. The cumulative amount of tax credits claimed in any fiscal year by all taxpayers could not exceed \$2 million, and credits are to be issued in the order contributions are received.

DOR would promulgate rules to implement the proposal. DOR officials assume DOR would be required to change individual income tax form and instructions and the MINITS and speed-up systems.

DOR officials stated that 1.0 FTE Tax Processing Technician I would be required to process each 4,000 credits claimed, and submitted a cost estimate including the additional 1.0 FTE and related equipment and expenses of \$36,726 for FY 2009, \$38,723 for FY 2010, and \$39,884 for FY 2011.

DOR officials also provided this estimate of IT cost to implement the proposal:

Office of Administration, Information Technology Services Division (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. ITSD DOR assumes this legislation could be implemented at a total cost of \$29,302 utilizing 2 existing CIT III for 2 months for modifications to MINITS and 3 existing CIT III for 1 month for modifications to COINs, Café, and Corporate E-File.

Oversight assumes that most such contributions for armored protection for US armed forces would be significant in size and that a relatively small number of claims for tax credits would be submitted. Therefore, Oversight assumes this proposal could be implemented with existing resources. If unanticipated costs are incurred or if multiple proposals are enacted which require additional work, resources could be requested through the budget process.

This proposal could reduce total state revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE FUND			
<u>Revenue reduction - Department of Revenue</u>			
Tax Credits	<u>(Up to \$2,000,000)</u>	<u>(Up to \$2,000,000)</u>	<u>(Up to \$2,000,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Up to \$2,000,000)</u>	<u>(Up to \$2,000,000)</u>	<u>(Up to \$2,000,000)</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2009 (10 Mo.)	 FY 2010	 FY 2011
	<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.

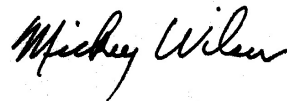
FISCAL DESCRIPTION

This proposal would create an income tax credit for contributions made to provide military personnel with armored protection.

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 Administration
 Division of Budget and Planning
Department of Revenue
Department of Public Safety
 Missouri Veterans Commission



Mickey Wilson, CPA
Director
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