

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4699-01
Bill No.: SB 1028
Subject: State Auditor; Revenue Department; State Departments; Tax Credits
Type: Original
Date: February 29, 2008

Bill Summary: This proposal requires reporting of taxpayer information regarding the utilization of state tax credits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(Unknown - less than \$100,000)	(Unknown - less than \$100,000)	(Unknown - less than \$100,000)
Total Estimated Net Effect on General Revenue Fund	(Unknown - less than \$100,000)	(Unknown - less than \$100,000)	(Unknown - less than \$100,000)

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 State Auditor (SAU)** state this legislation requires the auditor's office to build and maintain a large database of information related to tax credit issuance and redemption. This proposal will result in a tremendous amount of data coming to the auditor's office. Since this data will come from several different sources/departments, the information will be submitted in many different ways/formats. It could require significant time and resources to compile all of the different data into a single format so that it could be put on the web as required by the legislation. However, this work would be essential in order to present the information in a user friendly way that allows for searching the data to look for specific information. Although it is not specifically mentioned in the legislation, if tracking a credit from issuance to redemption is intended, a very complex system would be required as several years often occur from issuance to redemption, and with the selling and buying of tax credits, they may be redeemed by an entity different from that which it was issued to.

There are several unknowns related to this proposal that will affect the fiscal impact. The frequency that the information is to be updated on our web site (daily, weekly, monthly, etc) is a consideration. Since tax credits could be issued and redeemed on a very frequent basis by the various departments, the web site would have to be updated regularly to provide good information. Also, this proposal does not specifically include credits redeemed by the Department of Insurance, Financial Institutions and Professional Registration. It is unknown whether that omission is intentional; however, were that department to be included, additional costs would be incurred for processing of the additional information and the format compatibility mentioned above.

This proposal will take staffing resources and computer resources to develop the system. In addition, ongoing costs related to maintenance of the information and system are expected. Overall, because of the volume and complexity of the data, the fiscal impact for the auditor's office is unknown, but may exceed \$100,000 for staffing requirements, equipment purchases, and/or consulting fees.

Oversight assumes the State Auditor could utilize systems already in place and used by the Department of Economic Development and the Department of Revenue to create this database. Oversight assumes the SAU would require administering agencies to submit the necessary information in specific formats so as to diminish the amount of work needed to combine the information from various sources. Oversight assumes the SAU will incur some costs as a result of this proposal, but assume it to be less than \$100,000 per year.

ASSUMPTION (continued)

Officials from the **Department of Economic Development (DED)** state the Office of Administration - Information Technology Services Division estimate 100 hours of programming at a cost of \$30 per hour to set up an interface with the existing DED Client Tracking System and pass the issued/authorized credit information to the State Auditor. Some continuing maintenance would also be required.

Officials from the **Department of Revenue, Department of Insurance, Financial Institutions and Professional Registration, Department of Social Services, Department of Natural Resources, Department of Elementary and Secondary Education, Department of Public Safety, Department of Higher Education, Department of Agriculture, and the Department of Health and Senior Services** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE			
<u>Costs</u> - Department of Economic Development - ITSD interface costs and ongoing maintenance	(\$3,000)	(\$500)	(\$500)
<u>Costs</u> - State Auditor's Office To develop, implement and maintain tax credit database	(Unknown - less than <u>\$100,000</u>)	(Unknown - less than <u>\$100,000</u>)	(Unknown - less than <u>\$100,000</u>)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE DEPARTMENT	(Unknown - less than <u>\$100,000</u>)	(Unknown - less than <u>\$100,000</u>)	(Unknown - less than <u>\$100,000</u>)
 <u>FISCAL IMPACT - Local Government</u>	 FY 2009 (10 Mo.)	 FY 2010	 FY 2011
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

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

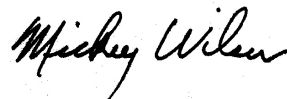
FISCAL DESCRIPTION

This proposal requires the administering agency of any tax credit program now, or hereafter, authorized under Missouri law to report to the State Auditor: the name and address of the applicant; the amount of tax credits issued to such applicant; and the program under which the tax credit is authorized. The Department of Revenue is required to provide similar information to the State Auditor regarding taxpayers upon the redemption of state tax credits. The information provided to the State Auditor will be made available for public inspection on the Auditor's website.

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 State Auditor
Department of Revenue
Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Social Services
Department of Natural Resources
Department of Elementary and Secondary Education
Department of Public Safety
Coordinating Board for Higher Education
Department of Agriculture
Department of Health and Senior Services



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