

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0491-11
Bill No.: HCS for SS for SCS for SB 83
Subject: County Officials; Fees; Liens; Property, Real and Personal; Taxation and Revenue
- Property
Type: Original
Date: May 6, 2013

Bill Summary: This proposal modifies provisions of law relating to taxation of property.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue*	(\$433,626 to more than \$2,533,626)	(\$1,170,548 to more than \$3,270,548)	(\$1,173,538 to more than \$4,273,538)
Total Estimated Net Effect on General Revenue Fund*	(\$433,626 to more than \$2,533,626)	(\$1,170,548 to more than \$3,270,548)	(\$1,173,538 to more than \$4,273,538)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 47 pages.

***Notes:**

§ 143.145 - Based on average new home sales prices and estimates of annual new home sales, the loss of revenue from this deduction could range from \$20.736 million to \$33.21 million per year.

§ 348.273 - The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Blind Pension	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Conservation Commission	\$0	Unknown	Unknown to (More than \$100,000)
Parks Soil and Water	\$0	\$0	\$0 or (More than \$100,000)
State Road	\$0	More than \$100,000	More than \$100,000
School District Trust	\$0	\$0	\$0 or (More than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Less than \$100,000)	Unknown to (Less than \$100,000)	Unknown to (More than \$100,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	7 FTE	7 FTE	7 FTE
Total Estimated Net Effect on FTE	7 FTE	7 FTE	7 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 2014	FY 2015	FY 2016
Local Government	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

§§ 32.029 and 32.400 - Paperless Documents and Forms:

In response to similar legislation filed this year, HB 503, the following responded:

These provisions would create the "Paperless Documents and Forms Act".

Officials from the **Department of Revenue (DOR)** stated beginning January 1, 2013, the Department of Revenue would be required to develop and implement a method by which all documents and forms provided to the public by the department, as well as any records, reports, returns, or other documents required by the department, relating to taxes imposed under chapters 142, 143, 144, and 149, and fees imposed under sections 260.262 and 260.273, would be available in an electronic format online and would be capable of electronic submission to the department. The department would be required to implement this program by January 1, 2019.

DOR assumed an electronic form would not be invalid solely because a paper version of the form has been incorporated or otherwise referenced in a rule.

DOR assumed this program would not prohibit the submission of paper forms to the department or require the department to allow electronic filing of a form that requires a notary or authorization by a third party in order to be effective. In addition, the proposal would not prohibit the submission of paper forms when any other document associated with the form, either expressly or by implication, requires a third party to notarize, authorize, or issue that document.

Motor Fuel Tax

DOR assumed systems are already in place to receive electronic reports, so no additional IT cost would be incurred. This proposal would create a savings of approximately \$700 due to reduction in printing and mailing approximately 3,270 forms to 669 licensees.

Individual Income Tax

DOR assumed currently, 89% of all Missouri individual income tax filers utilize electronic filing or file returns with a 2-D barcode. An increase of 100,000 electronic and 100,000 2D returns annually would allow the department to save nearly \$100,000 in costs for tax season temporary employees. The reduction in tax temporary workers would be due to the reduction in data entry work required for paper returns.

KB:LR:OD

ASSUMPTION (continued)

DOR assumed the electronic return error rate is 13% lower than paper (non 2D) returns. The 2D return error rate is 7% lower than the traditional paper return. With lower error rates, fewer returns would require manual review by error correction (quality review) staff, which must occur before the return can be posted back to the tax system for processing. For every 19,000 fewer error returns needing to go through manual review, the department could reduce error correction staffing by 1 FTE; or the department could reassign staff to a revenue generating position.

Corporate Tax

DOR stated approximately 14% of corporate filers use electronic filing. For every 24,960 additional electronic returns received, the department would save one (1) FTE in data entry costs. For every 7,800 fewer error returns that need to be manually reviewed, the department could reduce error correction staffing by one (1) FTE or reassign staff to a revenue generating position. Programming changes would not be necessary as the system already exists.

Withholding Tax and Sales Tax

DOR stated electronic filing would reduce processing and printing costs for sales and withholding tax. With additional returns filed electronically, the department would have fewer returns to manually key into the system. The department projected that up to 240,000 electronic returns could be received a year, which would result in a savings of six (6) FTE (\$136,080); or the department could reassign these employees to revenue generating positions.

DOR stated the department would also recognize a reduction of up to 89,000 sales and withholding tax returns and booklets, resulting in printing and postage savings of approximately \$51,500.

DOR stated these provisions would allow the department to use electronic notification for specified information when the taxpayer has consented to its use and has provided an e-mail address in lieu of, and in full satisfaction of, any requirement to provide the notification by mail.

DOR stated these provisions would result in a significant cost savings due to the reduction in printing, forms and postage by utilizing an electronic notification process. In addition, these provisions would enable better communication, greater convenience and improved customer service to Missouri citizens by allowing the option of notices to be sent electronically or by regular mail, reducing the amount of returned mail, and increasing e-mail inquiries, thus reducing phone calls and written correspondence.

ASSUMPTION (continued)

DOR stated the reduction in printing, forms and postage would result in reduced expenditures to the department. The amount of savings would depend on the level of participation in electronic notification. The department assumed 25% of the population would participate, yielding a total annual savings of approximately \$963,000.

Driver License Notification

DOR projected savings for postage, forms and envelopes of \$128,198 if 25% of the citizens opted for receiving various notifications by email.

Motor Vehicle Notification

DOR projected a savings for postage, forms and envelopes of \$345,208 if 25% of the citizens opted for receiving various notifications by email.

Tax Notification

DOR projected a savings for postage, forms, and envelopes of \$489,376 if 25% of the citizens opted for receiving overpay and tax delinquency notices by electronic methods.

DOR assumes if these notifications could be sent electronically to consenting taxpayers, a portion of mailing costs could be eliminated, depending on the level of participation by taxpayers. Additionally, by making refund and other tax information available on-line through a secure web-based application, these provisions could reduce telephone calls and correspondence into the department, thereby allowing staff to focus on collecting additional revenue.

Oversight will assume that the DOR would have significant savings from this program beginning in FY 2015, and for fiscal note purposes will reflect annual savings of more than \$100,000 for the General Revenue Fund and the State Road Fund. Oversight will also reflect Unknown savings to the Conservation Commission Fund.

Oversight assumes there could be a potential reduction in FTE requirements for DOR but is not able to estimate such reductions.

ASSUMPTION (continued)

§§ 32.087, 144.020, 144.021, 144.069, 144.071, 144.440, 144.450, 144.455, 144.525, 144.610, 144.613, and 144.615 - Local Sales and Use Tax:

In response to similar legislation filed this year, SB 182, the following responded:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed a previous version of this proposal would not result in additional costs or savings to their organization.

BAP officials stated the proposal would, if enacted, impose local sales taxes on motor vehicle sales by an out-of-state seller to a Missouri buyer. The proposal would have no impact on state revenues, because of the existing state use tax. However, the proposal would increase local revenues for subdivisions that do not currently impose a use tax. The Department of Revenue may have data on any estimated increases. BAP officials noted the proposal may impact the limit imposed in Article X, Section 18(e).

Officials from the **Department of Revenue (DOR)** assumed a previous version of this proposal would impose local sales taxes on all sales of motor vehicles, trailers, boats, and outboard motors, regardless of whether the sale of such motor vehicles, trailers, boats, and outboard motors occurred within the state of Missouri or in any other state.

For local sales tax purposes, sales of motor vehicles, trailers, boats, and outboard motors, would be considered to have been consummated at the residence of the purchaser and not at the place of business of the retailer, nor the place of business from which the retailer's agent or employee works.

A local government could, if approved by the voters, repeal the taxing entity's local sales tax on any retail sale of motor vehicles, trailers, boats, and outboard motors; however, the voters of that local government could not repeal the application of any state sales or use tax.

The proposal would also eliminate the imposition of any local use tax on sales of motor vehicles, trailers, boats, and outboard motors.

Fiscal impact

DOR officials assumed it is unknown whether additional "in state" sales would be made as a result of this proposal, but the proposal would likely increase local revenues.

ASSUMPTION (continued)

IT Impact

DOR officials provided an estimate of the IT impact to implement this proposal of \$10,495 based on 388 hours of programming to make changes to DOR systems.

Oversight assumes OA - ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight also assumes OA - ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA - ITSD (DOR) could request funding through the appropriation process.

Oversight notes that DOR officials did not include an estimate of any other costs associated with implementing this proposal and assumes this proposal could be implemented with existing resources.

Officials from the **Department of Conservation** assumed a previous version of this proposal would have no fiscal impact on their organization.

Officials from the **Department of Natural Resources (DNR)** stated that a previous version of this proposal would eliminate the local use tax on motor vehicles, boats, trailers, and outboard motors, and would impose a local sales tax on those items whether the purchase was made in or out of state.

DNR officials noted that the Department's Parks and Soils Sales Tax Funds are derived from a one-tenth of one percent state sales and use tax pursuant to the Missouri Constitution. The proposal would appear to only affect local sales and use tax issues. Therefore, the department would not anticipate a direct fiscal impact.

Officials from the **Department of Transportation (MoDOT)** noted that a previous version of this proposal would not change the state sales and use tax on the sale of motor vehicles; therefore, MoDOT officials assume there would be no fiscal impact on their organization.

ASSUMPTION (continued)

In response to a previous version of this proposal, officials from the **City of Kansas City** noted that their organization has a local use tax; therefore, this proposal would not increase their revenues.

Officials from the **City of Cape Girardeau** assumed in response to a previous version of this proposal that reinstatement of the sales tax on motor vehicle sales would increase their sales tax revenue by \$278,000 for FY 2014, \$284,000 for FY 2015, and \$290,000 for FY 2016.

Officials from the **Special School District of St. Louis County** assumed a previous version of this proposal would have a positive fiscal impact on their organization.

Officials from the **Parkway School District** assumed a previous version of this proposal would have an unknown impact to their organization.

Oversight assumes this proposal would have a positive fiscal impact on local governments which currently have a sales tax but no local use tax, and are no longer able to enforce the local use tax on purchases of motor vehicles, boats, and motors outside the state of Missouri.

This proposal includes a requirement for local governments (except those in which voters have previously approved a local use tax) to hold an election to approve the repeal of the local sales tax on sales which are not subject to state sales tax. The election may be held as early as the November 2014 general election but must be held no later than the November 2016 general election. If the local government does not hold the election or if the voters approve the repeal of the local sales tax, the sales tax could not be applied to subsequent sales.

Oversight assumes that the number and aggregate amount of underlying sales transaction would indicate a fiscal impact greater than \$100,000 for local governments and will include that impact in this fiscal note. Oversight has no information as to which governments would be subject to the election requirement and will indicate unknown costs for local government elections in FY 2015 and FY 2016. Oversight assumes the cumulative amount of additional revenue realized by local governments would be greater than the election costs.

ASSUMPTION (continued)

§ 34.040 - Department of Revenue Bidding Procedures:

Oversight assumes this section of the proposal pertains to bids to operate **Department of Revenue (DOR)** fee offices.

DOR officials did not provide an estimate of the fiscal impact for this section of the proposal.

Oversight assumes this section of the proposal will result in no direct fiscal impact to DOR.

§ 50.622 - County Budgets:

Oversight assumes this proposed section is enabling legislation that allows counties to amend their budgets to reflect decreases in revenues no more than twice each fiscal year when faced with an unanticipated decline in revenue of 2% or higher. This proposed section is permissive, and there will be no direct fiscal impact on counties.

§§ 52.230 and 52.240 - Property Tax Bills:

In response to similar legislation filed this year, HCS for HB 63, the following responded:

Officials from the **Department of Revenue** and the **State Tax Commission** each assume this section of the proposal would not fiscally impact their respective agencies.

Officials from **St. Louis County (SLC)** assumed that sending the actual bill via e-mail is a security risk. An alternative is to send an e-mail informing the property owner that the bill is ready and they can retrieve it electronically through the website. The costs for the high and low security options do not differ significantly from each other since the underlying processes and modifications required remain the same and will have to be performed regardless of the option.

SLC assumed the following implementation costs:

- External vendor modification of existing systems, roughly 20 hours @ \$175 per hour at an estimated cost of \$3,500.
- Internal programming and project management time to plan the process, modify the website, create procedures, etc., roughly 200 hours @ \$112 per hour for internal analysts, project management, and programmers. This results in an estimated cost of \$22,400.

ASSUMPTION (continued)

- Mitigation of information systems security issues, roughly 20 hrs @ \$112 per hour for programmers and security analysts at an estimated cost of \$2,240.

Annual maintenance costs:

- Internal maintenance of automated processes and systems, roughly 30 hrs @ \$112 per hour for programmers will result in annual maintenance costs of \$3,360.

SLC assumed the total implementation cost of this proposal is \$28,140. The cost to maintain this capability is \$3,360 per year.

Officials from **Boone County** assumed any programming and annual maintenance up front costs to capture the requests electronically and reply or provide access to property tax bills through our website would be offset by savings in paper, printing, and postage costs.

Oversight assumes this section of the proposal could result in some implementation and maintenance costs related to sending property tax statements and receiving property tax payments if the county does not currently have the capability to send statements electronically. However, county collectors who choose to submit property tax assessments electronically will see a savings in paper, printing, and postage costs since fewer property tax statements will be mailed.

Oversight will, since the proposal is permissive, assign no direct fiscal impact to county collectors.

§ 52.250 - County Collectors

Oversight assumes this section of the proposal allows for the collection of a fee of one-half of one percent of current taxes to be collected by all county collectors. County collectors that do not currently collect this fee will now be able to collect the fee to offset the cost of mailing statements and receipts.

Oversight assumes collector fees will be a reduction in taxes remitted to other political subdivision governing bodies. The net effect to political subdivisions will be zero for this section of the proposal.

ASSUMPTION (continued)

§ 67.457 - Notice of Neighborhood Improvement Districts:

In response to similar legislation from 2013 (SB 248), officials from the **City of Kansas City** assumed there would be internal/staff costs incurred in compiling the information in the format required by this bill and in recording, but they would be nominal as this information is already in the city's possession and/or required to be generated in making the assessments.

In response to similar legislation from 2013 (SB 248), officials from the **City of Columbia** assumed there would be a cost to record the document in addition to staff time to develop the document being recorded, which will vary based on the size of the neighborhood improvement district. Accurate estimates were not available.

Oversight assumes implementation of the provisions of this section would be minimal and could be absorbed by the entities involved.

§§ 67.463 and 67.469 - Neighborhood Improvement Districts Special Assessments:

In response to similar legislation from 2013 (SB 138), officials from the **City of Kansas City** assumed the extent of revenue losses to the city is dependent upon the extent to which Jackson County elects to collect or deduct a fee from the special assessment collections.

Oversight assumes these proposed sections are permissive, and for fiscal note purposes, will assume no direct fiscal impact on the City of Kansas City, St. Louis City, and Jackson County.

§ 67.2050 - Technology Business Facilities:

In response to similar legislation filed this year, HB 698, the following responded:

Officials from the **Department of Revenue (DOR)** assumed this part of the proposal would specifically exempt transactions involving the lease or rental of any components of a project from local sales tax law. In addition, leasehold interests would not be subject to property tax. Payments in lieu of taxes expected to be made by any lessee of the project would be applied in a specified manner.

ASSUMPTION (continued)

DOR assumes the governing body could dispose of property, buildings, or plants to private persons or corporations upon approval by the governing body. A private person or corporation that transfers property to the municipality for a technology business facility project at no charge would retain the right to have the municipality transfer the property back to the person or corporation at no cost. The DOR response did not indicate any fiscal impact to their organization.

Oversight notes that this proposal would allow any municipality in the state - county, city, incorporated town, or village - to develop a technology business facility project, and assumes that any reduction in state revenue from local government sales tax collection charges would be minimal.

Oversight assumes that any impact related to this part of the proposal would be the result of some future action by a municipality and will not include any impact in this fiscal note.

§ 92.387 - Land Sales in Certain Cities:

In response to similar legislation filed this year, HB 892, the following responded:

Officials from the **Missouri Tax Commission** assume this section of the proposal would not fiscally impact their agency.

Oversight assumes this section of the proposal requires any sale of lands under Chapter 92, RSMo, to be subject to valid recorded covenants running with the land and valid easements of record or in use. This section of the proposal will have no direct fiscal impact on state or local government funds.

§§ 67.1521, 139.160, 139.170, 140.050, 140.115, 140.150, 140.160, 140.230, 140.290, 140.460, 140.470, 140.665, and 140.730 - Collection of Delinquent Property Taxes and Special Assessments

In response to a previous version of this proposal, the following responded:

Officials at the **St. Louis County Collector** assumed the removal of the purchase certificate fee, based on 2012 sale figures, would result in a minimal loss in revenue to the county.

ASSUMPTION (continued)

KB:LR:OD

ASSUMPTION (continued)

Officials from the **Boone County Collector** assumed the changes in this proposal will reduce revenue to county general revenue and some programming costs will occur to remove the fees from our collection and distribution software. Those amounts are unknown but assumed to be negligible.

Oversight assumes a minimal impact less than \$100,000 to local county government funds from the elimination of a \$1.50 fee for certain tax deeds.

§ 137.016 - Golf Course Facilities and Buildings:

Missouri Tax Commission and county assessor officials did not provide an estimate of the fiscal impact for this section of the proposal.

Oversight assumes this section of the proposal would require facilities and buildings owned and used by a golf course to be assessed as residential property.

Oversight assumes facilities and buildings used by golf courses are currently assessed as commercial property. Local governments and the Blind Pension Fund would experience a direct reduction in property tax revenues from this section of the proposal.

Oversight will show a loss of revenue that could exceed \$100,000 to local political subdivisions and a loss of revenue expected to be less than \$100,000 to the Blind Pension Fund.

§ 143.145 - Personal Income Tax Deduction for New Home Purchase:

In response to similar legislation filed this year, HB 194, the following responded:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed this section of the proposal would not result in additional costs or savings to their organization.

BAP officials noted the proposal would create a temporary tax deduction for the construction of a new single family residence, if that construction is started and completed between 8/28/13 and 12/31/15. The deduction would be limited to 1/3 of the purchase price or \$166,667. Thus, at the full marginal 6% tax rate, the tax benefit would be limited to \$10,000.

ASSUMPTION (continued)

BAP officials cited US Census Bureau Building Permits Survey Monthly Data, noting that 9,452 permits for single family housing units were issued in Missouri in the 16-month time period that ended with November, 2012. BAP officials also noted that the US Census Bureau's American Community Survey indicates 65% of housing units are owner-occupied. Assuming the number of housing permits issued is comparable over the sixteen months included in this proposal, and the ratio of homeowners is similar, this proposal could reduce General and Total State Revenues by $((9,452 \times 65\%) = 6,144 \text{ home sales} \times \$10,000) = \$61.4 \text{ million}$.

Oversight notes the number of sales in the BAP response is for a sixteen month period and the indicated annual sales would be $(6,144 \times 12/16) = 4,608$. The indicated annual revenue reduction would be $(\$61,400,000 \times 12/16) = \$46,050,000$.

Officials from the **Department of Revenue (DOR)** assumed that from January 1, 2013 to December 31, 2015, the proposal would allow a filer to claim a deduction for the purchase of a qualified principal residence. The deduction would equal the lesser of 1/3 of the purchase price of the qualified principal residence, or \$166,667. If the deduction amount exceeded the filer's total Missouri Adjusted Gross Income for the year in which the deduction is claimed, any unused deduction could be carried forward to subsequent tax years.

DOR states if a filer disposes of that residence or no longer uses the property as a principal residence, any remaining unused deduction would be forfeited and the filer would be subject to an addition to Missouri adjusted gross income for amounts previously deducted.

DOR could create rules to implement the provisions of this section, and the program would sunset December 31, 2015 unless reauthorized by the General Assembly.

DOR would need to make form changes, and the Department and OA - ITSD (DOR) would need to make programming changes to various tax systems.

Fiscal impact

DOR officials assumed the proposal would have an unknown negative impact on Total State Revenue. The deduction created by this proposal could be as great as \$166,667 per claimant. If the full deduction of \$166,667 is claimed by a qualified taxpayer, that taxpayer could have a tax reduction as large as \$10,000. DOR officials cited a United States Census Bureau report which indicated that 369,000 new homes were sold in 2012. DOR officials assume that 2% of those homes, or 7,380 were sold in Missouri. If each new home purchase was eligible for the full deduction, it would have an annual impact of $(7,380 \times \$10,000) = \$73,800,000$ per year.

KB:LR:OD

ASSUMPTION (continued)

Administrative impact

DOR officials assumed Personal Tax would require two additional Temporary Tax Employees for key entry; one additional FTE Revenue Processing Technician I (Range 10, Step L) per 19,000 errors; and one additional FTE Revenue Processing Technician I (Range 10, Step L) per 2,400 pieces of correspondence. In addition, Collections and Tax Assistance (CATA) would require one additional FTE Tax Collection Technician I (Range 10, Step L) per 15,000 additional calls annually to the delinquent tax line, plus CARES equipment and license; one additional FTE Tax Collection Technician I (Range 10, Step L) per 15,000 additional calls annually to the non-delinquent tax line, plus CARES equipment and license; and one additional FTE Revenue

Processing Technician I (Range 10, Step L) per 4,800 additional contacts annually to the Tax Assistance Offices, plus CARES equipment and license.

DOR has included two additional temporary employees, five additional full - time employees, and the related benefits, equipment, and expense. The estimated costs totaled \$217,043 for FY 2014, \$219,936 for FY 2015, and \$222,242 for FY 2016.

Oversight assumes the DOR estimate of expense and equipment cost for the new FTE could be overstated. If DOR is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2014 could be reduced by roughly \$6,000 per new employee.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional employees 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 and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted the DOR estimate of equipment and expense in accordance with OA budget guidelines. Finally, Oversight assumes a limited number of additional employees could be accommodated in existing office space.

Oversight notes that the earliest date to begin construction of a qualified new home under this proposal would be August 28, 2013, and assumes that a home could be completed and occupied by December 31, 2013. Since Missouri personal income tax returns are primarily filed on a calendar year basis and the qualifying construction dates are in 2013, the first deductions under this program could be claimed on 2013 income tax returns which would be filed in FY 2014.

Oversight will include costs for the Department of Revenue for six months of FY 2014 and all of FY 2015 and FY 2016.

KB:LR:OD

ASSUMPTION (continued)

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$13,633, based on 540 hours of programming to make changes to DOR systems.

Oversight assumes OA - ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA - ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA - ITSD (DOR) could request funding through the appropriation process.

Oversight assumes filers who would be able to purchase a home for \$500,000 would be able to deduct one - third of that amount or \$166,667 and would be able to reduce their income tax obligation by up to $(\$166,667 \times .06) = \$10,000$. Oversight has used data provided by the University of Missouri, Economic Policy Analysis and Research Center to estimate the number of filers who would be able to take the maximum deduction available under this program; our estimate indicated that about 48,000 filers would have sufficient taxable income to do so.

Oversight notes according to Census Bureau data, the national average new home price was approximately \$225,000 in 2011, and Oversight assumes that Missouri prices are consistent with the national average. Further, Oversight notes there was little change in new home prices from 2011 to 2012. Under this proposal, the buyer of a new home could claim a deduction for one - third of the new home price or $(\$225,000 / 3) = \$75,000$ which would provide a reduction in the buyer's income tax up to $(\$75,000 \times .06) = \$4,500$.

Oversight notes at the average new home sales price, the DOR estimate of new home purchases would indicate a revenue reduction of $(7,380 \times \$4,500) = \$33,210,000$. The BAP estimate of new home purchases would indicate an annual revenue reduction of $(4,608 \times \$4,500) = \$20,736,000$.

Oversight notes twenty-three claims at the average sales price would result in a revenue reduction of \$100,000, and will include a revenue reduction in excess of \$100,000 for FY 2014. For FY 2015 and FY 2016, Oversight notes 222 claims at the average sales price would result in a revenue reduction of \$1,000,000 $(222 \times \$4,500)$. Oversight will indicate a revenue reduction in excess of \$1 million per year for FY 2015 and FY 2016.

ASSUMPTION (continued)

Oversight assumes some buyers could purchase a new home but not have sufficient taxable income to use the full deduction in one year; those buyers would be able to use the full deduction amount over a number of subsequent years. Accordingly, this program could result in revenue reductions for several years after FY 2016 but those amounts will not be included in this fiscal note.

Oversight notes this program could result in greater sales tax revenues for the state and local governments, and could eventually result in greater local property tax revenues. Those additional revenues are considered an indirect impact and will not be included in this fiscal note.

§§ 143.789 and 143.790 - Ambulance Service Debt Offset:

In response to similar legislation filed this year, HB 234, the following responded:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed this section of the proposal would not result in additional costs or savings to their organization.

Officials from the **Department of Revenue (DOR)** provided the following response to a to this proposal.

§ 143.789

This section of the proposal would grant the Director the authority to offset an income tax refund in specific situations, and would provide the order of priority in which claims for a refund offset could be paid.

The Department and OA - ITSD (DOR) would need to make programming changes to various processing systems.

§ 143.790

DOR assumed this section of the proposal would eliminate the current program for processing delinquent health care billing claims, and would provide a system for processing delinquent ambulance service claims through a clearinghouse designated by DOR.

DOR assumed this section of the proposal would authorize a collection assistance fee for DOR services; in the event DOR is unable to offset the entire eligible claim and collection assistance fee under this section, the collection assistance fee would have priority over the claim.

ASSUMPTION (continued)

DOR assumes Lottery prizes would be subject to the same offset procedures as income tax refunds.

DOR and OA - ITSD (DOR) would need to make programming changes to hold the refund payment in suspense during the appeal period, and to deduct a collection fee.

DOR and OA - ITSD (DOR) would need to make additional programming changes if DOR is required to offset lottery payments in addition to income tax refunds.

Fiscal Impact

DOR officials noted that Total State Revenue would be increased by \$14 for every refund offset processed, but DOR did not provide an estimate of the number of potential offsets for this program.

Administrative Impact

DOR officials assumed implementing the proposal would require additional employees. Personal Tax would require two additional FTE Revenue Processing Technician I (Range 10, Step L) to process correspondence and apportionments and one additional FTE Accountant I (Range 18, Step M) to administer the money. In addition, Collections and Tax Assistance (CATA) would require one additional FTE Tax Collection Technician I (Range 10, Step L) per 15,000 additional contacts annually on the delinquent tax line, with CARES phone equipment, one additional FTE Tax Collection Technician I (Range 10, Step L) per 24,000 additional contacts annually on the non-delinquent tax line, with CARES phone equipment, and one additional FTE Revenue Processing Technician I (Range 10, Step L) per 4,800 additional contacts annually in the Tax Assistance Offices, with CARES phone equipment.

DOR has included a total of six additional employees; with the associated benefits, equipment, and expense, the estimated cost totaled \$253,315 for FY 2014, \$257,201 for FY 2015, and \$259,898 for FY 2016.

Oversight assumes the DOR estimate of expense and equipment cost for the new FTE could be overstated. If DOR is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2012 could be reduced by roughly \$6,000 per new employee.

ASSUMPTION (continued)

Oversight notes that this section of the proposal would be limited to unpaid ambulance service claims, and would require most of the processing for those claims to be done by the claimant and the clearinghouse. Accordingly, Oversight assumes the proposal could be implemented with two additional DOR employees. 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 has, for fiscal note purposes only, changed the starting salary for the additional employees 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 and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted the DOR estimate of equipment and expense in accordance with OA budget guidelines. Finally, Oversight assumes a limited number of additional employees could be accommodated in existing office space.

IT Impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$122,699 based on 4,536 hours of programming to make changes to DOR systems.

Oversight will include the DOR estimate of IT cost in this fiscal note.

Officials from the **Missouri Lottery (LOT)** assumed this section of the proposal could negatively impact player behavior by allowing offset of lottery prize payouts for public ambulance services.

LOT officials stated that staff resources would be necessary to process the offsets, and the proposal would also require IT programming costs and ongoing accounting resources. Lottery officials provided an estimate of \$100,000 for IT programming to the Lottery check writing system for the new offset category, and an unknown cost for administering the offset process.

Oversight assumes the prospect of a debt offset against lottery prize payouts could affect player behavior but that effect would not be considered a direct impact and will not be included in this fiscal note.

For fiscal note purposes, **Oversight** will include an unknown IT cost for the Lottery to make changes to their systems.

ASSUMPTION (continued)

Oversight assumes that any administrative or personnel cost to the Lottery as a result of this proposal would be minimal and could be absorbed with existing resources. If unanticipated costs are incurred or if multiple proposals are enacted which increase the Lottery workload, resources could be requested through the budget process.

Officials from the **Department of Health and Senior Services (DHSS)** assumed this section of the proposal would have no fiscal impact on their organization. DHSS officials stated that the program currently authorized in state law and assigned to their organization was never implemented.

Officials from **Barton County Memorial Hospital** assumed this section of the proposal would have an unknown positive fiscal impact to their organization.

§ 144.030 - Revenue-Sharing Agreements:

Oversight assumes this section of the proposal allows any political subdivision to enter into revenue-sharing agreements with private persons, firms, or corporations providing goods or services for amusement, entertainment, games, or athletic events. All applicable taxes on revenues received would still apply. Since this section is permissive, **Oversight** will not indicate a direct fiscal impact from this section of the proposal.

§ 144.190 - Refunds on Taxes:

Oversight assumes this section of the proposal requires any tax, penalty or interest that has been paid more than once, or has been erroneously or illegally collected by DOR to be refunded, or credited on taxes due, or taxes that may become due.

DOR officials did not provide an estimate of the fiscal impact for this section of the proposal.

Oversight assumes this section of the proposal would allow claims older than three years to apply for a refund or a credit (current law states these claims must be submitted within three years; however, this part of the section is removed). Therefore, Oversight assumes this could result in additional old claims. For simplicity, Oversight will reflect a \$0 or Unknown loss to the General Revenue Fund from changes in this section.

ASSUMPTION (continued)

§ 144.810 - Data Storage Center Exemption:

In response to similar legislation filed this year, HB 698, the following responded:

Officials from **Office of Administration - Division of Budget and Planning (BAP)** assumed this part of the proposal would provide a state and local sales tax exemption for electrical energy, gas, water, other utilities, machinery, equipment, computers, and construction materials used in a new data center. The amount of any exemption provided under this subsection could not exceed the projected net fiscal benefit to the state over a period of ten years.

BAP assumed this part of the proposal would also provide a state and local sales tax exemption for electrical energy, gas, water, other utilities, machinery, equipment, computers, and construction materials used by expanding data storage centers, to the extent the amount of new inputs exceed current input levels. The amount of any exemption provided under this subsection could not exceed the projected net fiscal benefit to the state over a period of ten years.

BAP assumed this part of the proposal lowers the necessary job creation thresholds for projects to be eligible for sales tax benefits. This may increase participation in the programs. Because the exemptions shall not exceed the projected net fiscal benefit to the state over a period of ten years, this proposal will not impact current General and Total State Revenues but future revenues may be forgone. BAP officials assume this program could encourage other economic activity, but stated that they do not have data to estimate the induced revenues. BAP officials assume DED may have such an estimate.

Officials from the **Department of Economic Development (DED)** assumed this part of the proposal would create state and local sales and use tax exemptions for data storage center facilities. Exemptions would be limited to the projected net fiscal benefit to the state over a period of ten years, as determined by DED. This proposal would also require random audits to ensure compliance with the intent the data storage centers indicated in their project plan.

DED is unable to determine the exact impact this proposal would have on Total State Revenue and therefore anticipates an unknown impact.

DED would be responsible for determining eligibility for the exemption approval process and the compliance and auditing functions, and anticipates the need for one additional FTE Economic Development Incentive Specialist III. The new employee would be responsible for reviewing project plan applications to make sure they meet the criteria of the program, and conducting random audits to ensure compliance with the program. The estimated FTE cost for FY 2014 is \$60,868.

KB:LR:OD

ASSUMPTION (continued)

Oversight assumes there would be a limited number of entities eligible for this sales and use tax exemption and that DED could absorb the additional workload with existing resources. If this proposal created an unanticipated increase in the DED workload, or if multiple proposals were implemented which created a substantial increase in the DED workload, resources could be requested through the budget process.

Officials at the **Department of Natural Resources (DNR)** assumed that adding additional sales tax exemptions would decrease the amount of funding available in the Parks and Soils Sales Tax Funds. These funds have been used for the acquisition and development, maintenance and operation of state parks and historic sites and to assist agricultural landowners through voluntary programs.

Officials at **Department of Revenue (DOR)** assumed that Collections & Tax Assistance (CATA) would require one additional FTE Revenue Processing Technician I (\$25,884) per 24,000 additional contacts annually to the registration section, with CARES equipment and agent license, and one additional FTE Revenue Processing Technician I (\$25,884) per 4,800 additional contacts annually to the tax assistance offices, with CARES equipment and agent license.

In addition, DOR assumed the Sales Tax Division would require one Revenue Processing Technician I (\$25,884) to manage data storage refunds and exemptions.

Oversight assumes there would be a limited number of entities eligible for this sales and use tax exemption and that DOR could absorb the additional workload with existing resources. If this proposal created a significant unanticipated increase in the DOR workload, or if multiple proposals were implemented, resources could be requested through the appropriation process.

Officials from **St. Louis County** assumed that any loss from this part of the proposal would not be great but stated they can not define their sales tax revenue to this level of detail.

Officials from the **City of Columbia** stated that the city does not have any active data storage projects and could not provide an estimate of the fiscal impact.

Officials from the **City of Kansas City** stated they were unable to determine the fiscal impact of this proposal, but revenue growth is assumed to exist through increased economic activity in the city. City officials assumed there would be no net losses. While the City would lose sales and/or property tax revenues, depending on the nature of the project, those losses would be offset in their entirety (or exceeded) by increases in other revenues.

ASSUMPTION (continued)

Officials at the **Special School District** assumed this would have an indirect negative impact on the District. Increases in tax credits reduce funding available for public school districts. To the extent that tax abatements or other property tax reductions occur in St. Louis County related to storage facility provisions, this proposal could have a direct negative impact on the District.

Officials from the **Francis Howell School District** and the **Parkway School District** assumed this proposal would result in an unknown reduction in sales tax revenues.

Oversight notes that this proposal would require a minimum \$37 million investment in a new facility within thirty-six months, or a minimum \$5 million investment in an expanding facility within twelve months. The proposed project would require approval by DED which would conditionally certify the project to DOR. Upon completion of the project, DED would certify the project eligibility to DOR, and DOR would refund the sales tax paid on the project.

If the proposal became effective August 28, 2013, construction could begin late in FY 2014 and would likely not be completed until late in FY 2015. Refunds would not likely be certified and paid to project owners until FY 2016.

Oversight is not aware of any existing or planned projects which could qualify for the program, but if one new facility project was completed in time for a refund to be paid in FY 2016, the sales tax amounts could be computed as follows.

For fiscal note purposes, **Oversight** assumes the entire \$37 million investment would qualify for the exemption and has calculated the potential impact below.

Table 1: Potential Impact

Entity	Sales Tax Rate	Sales Tax
General Revenue Fund	3%	\$1,110,000
Conservation Commission Fund	1/8%	\$46,250
School District Trust Fund	1%	\$370,000
Parks, Soil & Water Funds	1/10%	\$37,000
Local Governments	Average 2.5%	\$925,000

ASSUMPTION (continued)

Oversight will indicate a fiscal impact for the General Revenue Fund for this proposal of \$0 (no project qualifies for the exemption) or a revenue reduction of More than \$1,000,000 (one or more projects qualify for the exemption) for FY 2016, and a range of \$0 or a revenue reduction of More than \$100,000 for other state funds which receive sales tax revenues, and for local governments.

§§ 162.1174, 162.1176, and 162.1178 - School District Sales Tax:

Officials from the **Department of Elementary and Secondary Education (DESE)** state this section of the proposal would create additional revenue to local school districts. DOR would collect a fee from the sales tax revenues for expenses.

DESE notes this section of the proposal specifically exempts revenues from a school district sales tax from the calculation of state aid.

Oversight assumes if approved by the voters of a local school district the school district would have additional revenue from the school district sales tax. DOR would retain a 1% collection fee which would be deposited into the State's General Revenue Fund.

Oversight notes this section of the proposal would only authorize a local school district to submit a sales tax proposal to the voters of the district. Since potential election costs would depend on action by the county commission and changes in sales tax revenues would depend on voter approval, this proposal would not have any direct fiscal impact to state or local governments.

§§ 177.011 and 177.088 - School Facilities and Equipment:

In response to similar legislation filed this year, HB 783, the following responded:

Officials from the **Department of Elementary and Secondary Education** state this section of the proposal will have no fiscal impact on their agency or on school districts.

ASSUMPTION (continued)

§§ 184.800, 184.805, 184.810, 184.815, 184.820, 184.827, 184.830, 184.840, 184.845, 184.847, 184.850, and 184.865 Museum Districts in Natural Disaster Areas:

In response to similar legislation filed this year, SB 74, the following responded:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed this section of the proposal also modifies the existing Missouri Museum District Act to permit only qualifying disaster areas to establish a Museum and Cultural District. This district is authorized to implement a local sales tax up to one percent; however, the Department of Revenue is not involved in administering the tax. Therefore, there is no impact to general revenue or TSR.

BAP stated section 184.840, RSMo, allows General Revenue appropriations for the district. There is not an existing appropriation for this purpose in the FY13 budget but there was an appropriation in a prior fiscal year (FY99) to the American National Fish and Wildlife Museum District.

BAP assumed this section of the proposal should not result in any additional costs or savings to BAP.

Officials at the **City of Kansas City (KC)** assumed limiting museum districts to places where the majority of property has been declared a disaster area will impair the city's ability to form museum districts and impose a museum district sales tax if the city would choose to do so. KC assumes that loss of revenue might be one the city would be called upon to fill, though not obligated to do so. KC assumes no direct fiscal impact from this section of the proposal

Oversight notes this proposal does not appear to limit the City of Kansas City's ability to form museum districts and impose a museum district sales tax but would permit a Museum District within a Natural Disaster area to be established.

Oversight assumes the Museum District sales tax or admission fee would result in additional revenues and expenditures to local governments for the locally administered sales tax and/or admission fee which would be collected and then disbursed to the museum district if the local government chooses to impose a museum and cultural district sales tax on all retail sales made in the district and/or if the voters of the District impose an admission fee.

ASSUMPTION (continued)

§§ 302.060, 302.302, 302.304, 302.309, 302.525, 476.385 and 577.041 - Alcohol Related Traffic Offenses:

In response to similar legislation filed this year, HB 931, the following responded:

Officials from the **Department of Revenue (DOR)** stated the proposed language will now require a court to order the reinstatement on a 5-year denial, rather than give the court discretion to order it. This could potentially increase the volume of court orders received by the Department. The impact to the Department is unknown, however, a Revenue Processing Tech I (RPT I - A10/L) can process 30 court orders per day. If the volume of court orders the Department receives increases, additional FTE will be requested through the appropriation process.

Administrative Impact

DOR assumes the following changes will need to be implemented to provide for the changes in this legislation:

- Revisions to the Notices of Suspension issued by law enforcement to the offender;
- Print 160,000 new Notices of Suspension letters;
- Replace the supply of forms in central stores (28,800 notices) and
- Mail 131,200 forms to 656 law enforcement agencies (656 x 200 forms each= 131,200).

Cost for printing - 160,000 @\$0.12=	\$19,200
Cost for envelopes - 656 @\$0.12=	\$79
Cost for postage - 656 @\$5.48=	\$3,595
Total =	\$22,874

- Programing and testing of the Missouri Driver License (MODL) system along with training staff.

Administrative Analyst I- 240 hrs @ \$24 (1 ½) per hr =	\$5,760
Management Analyst Spec II- 240 hrs @ \$23 per hr =	\$5,520
Revenue Band Manager I- 80 hrs @ \$25 per hr =	\$2,000
Total =	\$13,280

ASSUMPTION (continued)

Requires updates to the following:

- Letters;
- Forms;
- Procedures;
- Department's website; and
- Missouri Driver Guide.

Administrative Analyst III - 10 hrs @ \$22	\$220
Management Analysis Spec I - 80 hrs @ \$20	\$1600
Total =	\$1,820

DOR stated the IT portion of this section is estimated with a level of effort calculated on 390 hours at \$27.05 per hour totaling \$10,550.

DOR assumes a cost of \$48,524 (\$22,874 + \$13,280 + \$1,820 + \$10,550) in FY 2014 to provide for the implementation of the changes for these sections in this proposal.

Administrative Impact

DOR assumed the following changes will need to be implemented to provide for the changes in this legislation related to section 577.041.1.

- Requires revisions to the Alcohol Influence Report (AIR) completed by law enforcement and filed with the Department;
- Print 160,000 notices;
- Replace the supply of forms in central stores (28,800 AIRs) and
- Mail 131,200 forms to 656 law enforcement agencies. (656 x 200 forms each = 131,200).

Cost for printing - 160,000@ \$0.03=	\$4,800
Cost for envelopes - 656 @ \$0.12=	\$79
Cost for postage - 656 @ \$5.48=	\$3,595
Total =	\$8,474

- Requires revisions to the Notice of Loss served by law enforcement to the offender;
- Print 160,000 notices;
- Replace the supply of forms in central stores (28,800 Notices) and
- Mail 131,200 forms to 656 law enforcement agencies (656 x 200 forms each= 131,200).

ASSUMPTION (continued)

Cost for printing - 160,000 @\$0.12=	\$19,200
Cost for envelopes - 656 @ \$0.12=	\$79
Cost for postage - 656 @ \$5.48=	<u>\$3,595</u>
Total =	\$22,874

DOR assumed the law will be retroactive and anyone who is revoked for a first refusal to submit to a chemical test when the law becomes effective will be eligible for a 90-day RDP. A sweep of the MODL system shows there are currently 58,323 who would be affected by this law.

DOR assumed it would need to notify these drivers of their ability to "possibly" obtain an RDP.

Cost for printing-	58,323 @ .025=	\$1,459
Cost for envelopes -	58,323 @ .04=	\$2,333
Cost for postage -	58,323 @ .46=	<u>\$26,829</u>
Total =		\$30,621

Based on the number of changes this proposal provides, FTE will be required to answer phone calls, prepare correspondence, and assist in-person customers. In addition to the 58,323 drivers that are currently suspended for first-time chemical refusals, statistics from FY12 show the Department adds an additional 10,215 new suspensions each year. Due to the new provisions in 557.041, allowing for an offender to obtain an RDP immediately after an arrest and DOR's requirement to extend offenders RDP period if violations with the IID occur, the Department assumes a large percentage of the people affected by these changes will contact DOR.

DOR assumes the number of contacts is unknown, based on discussions with other states that currently have laws requiring monitoring of IID devices, each offender could potentially contact DOR numerous times due to IID violations extending the RDP period. In addition to the offenders contacting the Department, ignition interlock providers will contact the Department to determine when the device can be removed or the length of the monitoring period. For the purposes of this fiscal note, the Department will assume that a person will contact us at least 2 times per year.

ASSUMPTION (continued)

58,323 - Number of current first-time Chemical Refusals on record.
+ 10,215- Potential first-time refusals added in FY 14.
68,538- Total number of persons who will be affected by new law.
X 50%- Percent of persons who will contact the Department.
34,269- Number of yearly contacts.
X 2- Average number of contacts per person each year.
68,538- Number of contacts per year.
/ 260- Number of working days per year.
264- Number daily contacts.
/ 100- Number of calls a RPT I can answer daily.
2.63= 3 FTE needed to handle additional customer contacts

DOR states an RPT I (A10/L) can answer 100 phone calls per day or answer 30 written inquiries and assist in-person customers. As such, at least 3 FTE are needed to handle the additional customer contacts. Since the Department cannot determine the exact number of contacts it will receive based on this proposal, additional FTE may be needed. The additional FTE will be requested through the appropriation process.

DOR assumed the following changes will need to be implemented to provide for the changes in this legislation:

- Requires programming and testing of the Missouri Driver License (MODL) system along with training staff.

Administrative Analyst I- 240 hrs @ \$24 (1 ½) per hr =	\$5,760
Management Analyst Spec II- 240 hrs @ \$23 per hr =	\$5,520
Revenue Band Manager I- 80 hrs @ \$25 per hr =	<u>\$2,000</u>
Total =	\$13,280

ASSUMPTION (continued)

Requires updates to the following

- Letters;
- Forms;
- Procedures;
- Department's website; and
- Missouri Driver Guide.

Administrative Analyst III - 10 hrs @ \$22	\$220
Management Analysis Spec I - 80 hrs @ \$20	\$1600
Total =	\$1,820

DOR stated the IT portion of this section is estimated with a level of effort calculated on 890 hours at \$27.05 per hour totaling \$24,075.

DOR assumed a cost of \$105,944 (\$4,800 + \$8,474 + \$22,874 + \$30,621 + \$13,280 + \$1,820) in FY 2014 to provide for the implementation of the changes in these sections for this proposal.

In summary, DOR assumed a cost of \$154,468 (\$48,524 + \$105,944) to provide for the implementation of the changes in this proposal.

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb some of the costs related to this proposal. Oversight will assume administrative cost to provide for the changes in this proposal to the DOR could exceed \$100,000. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

§ 321.015 - Fire Protection District Boards:

In response to similar legislation filed this year, HB 307, the following responded:

Officials from the **Department of Public Safety - Division of Fire Safety** and **Central County Fire Protection District** each assumed this section of the proposal would not fiscally impact their respective agencies.

Oversight assumes there is no direct fiscal impact from this section of the proposal on state or local government funds.

ASSUMPTION (continued)

§ 321.017 - Fire Protection and Ambulance District Board Member Qualifications:

Oversight notes this section is similar to HB 364 (2013).

Oversight assumes this section will not result in a direct fiscal impact on state or local government funds.

§ 321.210 - Filing Fees:

In response to similar legislation filed this year, SCS for HB 307, the following responded:

Oversight assumes this section of the proposal allows fire districts to charge a filing fee. Since this is permissive, **Oversight** will not indicate a fiscal impact in the fiscal note.

§ 321.690 - Audits of Fire Protection Districts in Greene County:

In response to similar legislation filed this year, HB 66, the following responded:

In response to similar legislation from 2012 (HB 1945), officials from the **Battlefield Fire Protection District** stated larger fire districts in Greene County have annual audits performed but only the biennial audit is forwarded to the State Auditor. Removal of the biennial audit requirement would result in some savings to the district.

Oversight notes according to Section 321.690.2 (2), RSMo, any fire protection district with less than fifty thousand dollars in annual revenue in Greene County may already be exempted from the biennial audit requirement with the approval of the State Auditor.

Oversight assumes any larger fire protection district with revenues greater than fifty thousand dollars already has an annual audit performed.

Oversight assumes this section of the proposal may result in minimal savings to Greene County Fire Protection Districts. For the purpose of the fiscal note, will show no direct fiscal impact to local fire protection districts in Greene County.

Officials from the City of Springfield, and Greene County did not respond to **Oversight's** request for fiscal impact.

ASSUMPTION (continued)

§§ 348.273 and 348.274 Missouri Angel Investment Incentive Act:

In response to similar legislation filed this year, HCS for HB Nos. 191 & 182, the following responded:

Officials at the **Office of Administration - Budget and Planning (BAP)** assumed this part of the proposal creates the Missouri Angel Investment Incentive Act. The total amount of tax credits available for this program could reach \$161.7 million, with a total of \$6 million allowed annually for tax years 2014 and 2015. However, there are provisions for the balance of unissued tax credits to be carried over for issuance in future years until December 31, 2024. This proposal could therefore lower General and Total State Revenues by that amount. This program may encourage other economic activity, but BAP does not have data to estimate the induced revenues.

Officials at the **Department of Economic Development (DED)** assumed this part of the proposal creates the Missouri Angel Investment Incentive Act to be administered by the Missouri Small Business and Technology Development Centers, University of Missouri. DED is a recipient of the annual report for the program. As a result of the proposal, DED assumes an unknown negative fiscal impact over \$100,000, offset by an unknown positive economic benefit based on the increase in economic activity.

Officials at the **Department of Revenue (DOR)** assumed this proposal would require changes to various tax systems. These changes are estimated to cost \$22,722 for 840 FTE hours. Additionally, DOR's Personal Tax Division will need one Revenue Processing Technician I (\$25,884) per 4,000 tax credits claimed and one Revenue Processing Technical I (\$25,884) per 2,400 pieces of correspondence. DOR's Corporate Tax Division will need one Revenue Processing Technician I (\$25,884) per 4,000 tax credits redeemed.

Oversight assumes DOR is provided with core funding to handle a certain amount of computer programming activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Oversight assumes DOR's Personal/Corporate Tax Divisions could absorb the responsibilities of this tax credit with existing resources. Should DOR experience the number of additional tax credit redemptions to justify another FTE, they could seek that FTE through the appropriation process.

ASSUMPTION (continued)

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** stated an unknown reduction of premium tax revenues as a result of the establishment of the Missouri Angel Investment Act is possible. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

DIFP will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Oversight assumes the changes to an existing program and creation of a new program in this proposal would have a positive impact on the state. However, Oversight considers this to be indirect impact of the proposal and will not reflect it in the fiscal note.

Oversight assumes this proposal establishes a program cap of \$6 million. For simplicity, Oversight will reflect a potential loss of revenue from these credits of up to \$2 million for each of the three years in the fiscal note (total of \$6 million).

§ 407.485 - Donation Receptacles:

In response to similar legislation filed this year, SB 466, the following responded:

Officials from the **Office of Administration** and **Department of Natural Resources** each assumed the current proposal would not fiscally impact their respective agencies.

Officials from the **Missouri Department of Conservation (MDC)** stated that they will have an unknown but minimal fiscal impact from this section of the proposal.

ASSUMPTION (continued)

Oversight notes this section requires that all donation receptacles have the name and contact information of the receptacle owner and that the owner has permission from the property owner where the receptacle is located

Oversight assumes MDC will be able to absorb any minimal costs arising from this proposal.

Bill as a Whole:

Officials from the **Office of the Secretary of State (SOS)** state 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, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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 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.

Officials from the **University of Central Missouri (UCM)** estimate no fiscal impact from this proposal. UCM assumes if the campus were included in a disaster area designation, and subsequent cultural district, the proposal may subject University events to a \$1 per seat tax.

Officials from the **Linn State Technical College** assume an unknown fiscal impact to the college.

Officials from the **Department of Higher Education, Department of Agriculture, State Treasurer's Office, Joint Committee on Administrative Rules, and Office of State Courts Administrator** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2014	FY 2015	FY 2016
GENERAL REVENUE FUND			
<u>Savings - DOR</u>			
§ 32.029 - Electronic filing and notification systems	\$0	More than \$100,000	More than \$100,000
<u>Cost - DOR</u>			
§143.145 - New Home deduction			
Salaries and wages	(\$65,640)	(\$131,280)	(\$132,593)
Benefits	(\$33,309)	(\$66,618)	(\$67,284)
Equipment and expense	<u>(\$37,610)</u>	<u>(\$1,499)</u>	<u>(\$1,537)</u>
<u>Total costs - DOR</u>	(\$136,559)	(\$199,397)	(\$201,414)
FTE change - DOR	5 FTE	5 FTE	5 FTE
<u>Revenue Reduction- Personal Income Tax</u>			
§143.145 - Income Tax Deduction for New Home Purchase*	(More than \$100,000)	(More than \$1,000,000)	(More than \$1,000,000)
<u>Additional Revenue - DOR</u>			
§143.790 - Collection Assistance Fees Debt Offset	Unknown	Unknown	Unknown
<u>Cost - DOR</u>			
§ 143.790 - Debt Offset			
Salaries	(\$38,560)	(\$46,272)	(\$46,735)
Benefits	(\$19,567)	(\$23,481)	(\$23,716)
IT cost	(\$122,699)	\$0	\$0
Equipment and expense	<u>(\$16,241)</u>	<u>(\$1,398)</u>	<u>(\$1,673)</u>
<u>Total cost - DOR</u>	(\$197,067)	(\$71,151)	(\$72,124)
FTE change - DOR	2 FTE	2 FTE	2 FTE
<u>Cost - LOT</u>			
§ 143.790 - IT Cost - Debt Offset	(Unknown)	\$0	\$0
<u>Revenue Reduction - § 144.810 - Data Storage Sales Tax Exemption</u>			
	\$0	\$0	\$0 or (More than \$1,000,000)

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2014	FY 2015	FY 2016
Loss - DOR			
§144.190 - removal of three year limitation on filing for a refund/credit	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost - DOR</u>	(Could exceed	(Could exceed	(Could exceed
§§ 302.060 et al - Administrative Cost	\$100,000)	\$100,000)	\$100,000)
<u>Revenue Reduction - § 348.273 - creation of the Angel Investment Incentive Act*</u>	\$0 to <u>(\$2,000,000)</u>	\$0 to <u>(\$2,000,000)</u>	\$0 to <u>(\$2,000,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$433,626 to more than \$2,533,626)</u>	<u>(\$1,170,548 to more than \$3,270,548)</u>	<u>(\$1,173,538 to more than \$4,273,538)</u>
Estimated Net FTE Change for the General Revenue Fund	7 FTE	7 FTE	7 FTE

***Notes:**

§ 143.145 - Based on average new home sales prices and estimates of annual new home sales, the loss of revenue from this deduction could range from \$20.736 million to \$33.21 million per year.

§ 348.273 - The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2014	FY 2015	FY 2016
 PARKS, AND SOIL & WATER FUND			
<u>Revenue Reduction</u> - §144.810 - Data Storage Sales Tax Exemption	<u>\$0</u>	<u>\$0</u>	\$0 or (More than \$100,000)
ESTIMATED NET EFFECT ON PARKS, AND SOIL & WATER FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (More than \$100,000)</u>
 SCHOOL DISTRICT TRUST FUND			
<u>Revenue Reduction</u> - § 144.810 - Data Storage Sales Tax Exemption	<u>\$0</u>	<u>\$0</u>	\$0 or (More than \$100,000)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (More than \$100,000)</u>

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<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
LOCAL FUNDS			
<u>Additional Revenue</u> - § 32.087 - Motor Vehicle Sales Tax	More than \$100,000	More than \$100,000	More than \$100,000
<u>Additional Revenue</u> - § 143.790 - Collection of Unpaid Ambulance Service Charges	Unknown	Unknown	Unknown
<u>Additional Revenue</u> - §184.800 - Museum District Sales Tax	Unknown	Unknown	Unknown
<u>Costs</u> - § 32.087 - Elections	\$0	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - § 137.016 - Golf Course Buildings Assessed Value	(May exceed \$100,000)	(May exceed \$100,000)	(May exceed \$100,000)
<u>Revenue Reduction</u> - § 144.810 - Data Storage Sales Tax Exemption	\$0	\$0	\$0 or (More than \$100,000)
<u>Loss</u> - §§ 140.290 and 140.470 - Counties Elimination of Tax Deed Fees	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON LOCAL FUNDS	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>

FISCAL IMPACT - Small Business

§§ 32.087, 144.020, 144.021, 144.069, 144.071, 144.440, 144.450, 144.455, 144.525, 144.610, 144.613, and 144.615 - Local Sales and Use Tax:

Small businesses, in areas of the state that do not have a local use tax, that sell motor vehicles, trailers, boats, and/or outboard motors could be positively impacted by this proposal.

§§ 67.2050 and 144.810 - Data Storage Center Exemption:

This section of the proposal would have a direct fiscal impact to small businesses which own or operate a qualifying project.

§ 137.016 - Golf Course Facilities and Buildings:

Small business golf courses would expect to see a direct fiscal impact from this section of the proposal.

§§ 143.789 and 143.790 - Ambulance Service Debt Offset:

This section of the proposal would have a direct fiscal impact on small businesses which operate ambulance services.

§ 143.145 - Personal Income Tax Deduction for New Home Purchase:

This section of the proposal would have a direct fiscal impact to small businesses in new home construction.

§§ 184.800, 184.805, 184.810, 184.815, 184.820, 184.827, 184.830, 184.840, 184.845, 184.847, 184.850, and 184.865 Museum Districts in Natural Disaster Areas:

A direct fiscal impact to small businesses would occur from this section of the proposal if the small business is in the redevelopment district.

§§302.060, 302.302, 302.304, 302.309, 302.341, 302.525, 476.385 and 577.041 - Alcohol Related Traffic Offenses:

Small business manufacturers and installers of ignition interlock devices will be positively fiscally impacted by this legislation.

FISCAL IMPACT - Small Business (continued)

§§ 348.273 and 348.274 Missouri Angel Investment Incentive Act:

Small businesses that qualify for the credit could be directly impacted.

FISCAL DESCRIPTION

§§ 32.029 and 32.400 - Paperless Documents and Forms:

This proposal would enact the Paperless Documents and Forms Act which would authorize the Department of Revenue to use technology to make filing certain forms and sending certain notifications more efficient.

The proposal would specify that the creation of state-run tax electronic filing of individual income tax returns is not authorized.

§§ 32.087, 144.020, 144.021, 144.069, 144.071, 144.440, 144.450, 144.455, 144.525, 144.610, 144.613, and 144.615 - Local Sales and Use Tax:

This proposal would prohibit counties and municipalities from imposing a local use tax on the sale of motor vehicles, trailers, boats, or outboard motors. Local sales taxes would be imposed on the sale of all such items, regardless of whether the item was purchased in Missouri. The residence of the purchaser would be used to determine what local tax rate would apply.

The rate of tax for motor vehicles, trailers, boats, or outboard motors sold at retail would be the sum of the state sales tax and the local sales tax. The rate of tax for all other sales of such items would be the sum of the state highway use tax and the local sales tax.

Local governments that have not previously approved a local use tax must submit to the voters a proposition whether to discontinue collecting sales tax on non-retail sales of motor vehicles. If a local government does not hold such a vote before November 2016, the local government could no longer collect the sales tax. Local governments may submit a proposition to the voters at any time to repeal the tax. The proposal would require a repeal vote of the people any time 15% of the registered voters in a taxing jurisdiction sign a petition requesting such election.

FISCAL DESCRIPTION (continued)

§52.250 - County Collectors - Fees:

This proposal requires all collectors in all counties to collect a fee of one-half of one percent of all current taxes collected, including current delinquent taxes, exclusive of all current railroad and utility taxes collected on behalf of the county, as compensation for mailing the statements and receipts. All fees collected pursuant to this section shall be collected on behalf of the county and shall be paid into the county treasury.

§§ 67.2050 and 144.810 - Data Storage Center Exemption:

This proposal allows the governing body of any municipality to enter into loan agreements, or sell, lease, or mortgage municipal property to private entities for the development of a technology business facility project.

§ 137.016 - Golf Course Facilities and Buildings:

This proposal would require facilities and buildings owned and used by a golf course to be assessed as residential property.

§§ 140.290 and 140.470 - Elimination of Tax Deed Fees:

This proposal eliminates specific language authorizing fees of twenty-five and fifty cents that the county collector is authorized to collect when recording a certificate of purchase of land sold at a tax sale. The collector will continue to be authorized to receive the fee necessary to record the certificate of purchase. The proposal eliminates language authorizing a one dollar and fifty cent fee for certain tax deeds.

§ 143.145 - Personal Income Tax Deduction for New Home Purchase:

This proposal would create a personal income tax deduction for the purchase of a new home built between August 28, 2013, and December 31, 2015. The deduction amount would be limited to the lesser of one-third the purchase price or \$166,667. A taxpayer could claim this deduction only once. Any deduction amount which exceeds the filer's taxable income could be carried forward until the full amount is deducted. If a filer takes the deduction but does not use the home as a principal residence for two years, the filer would be required to add any deductions taken to their adjusted gross income.

FISCAL DESCRIPTION (continued)

§§ 143.789 and 143.790 - Ambulance Service Debt Offset:

This proposal would eliminate the health care debt offset program currently assigned to the Department of Health and Senior Services.

This proposal would authorize the Department of Revenue (DOR) to impose a debt offset against a refund due a taxpayer, and would specify the priority of debts which could be offset. DOR could designate a claim clearinghouse which would process and verify offset requests against income tax refunds and lottery winnings. Prior to utilizing the clearinghouse, a health care provider would be required to determine whether the patient is eligible for relief from the debt under the provider's financial hardship policy, and would be required to exhaust all available means of collecting the debt from the patient or third-party payer. The provider would be required to provide specific notices to the patient, and allow for various levels of review and appeal of the claim.

A collection assistance fee would be assessed to each offset for the costs of collecting the debt, and allocated between the clearinghouse and the Department of Revenue. Claims for debts owed to ambulance service providers requesting an offset would have the lowest priority among the claim types in the proposal.

§§ 184.800, 184.805, 184.810, 184.815, 184.820, 184.827, 184.830, 184.835, 184.840, 184.845, 184.847, 184.850, and 184.865 - Museum Districts in Natural Disaster Areas:

This proposal expands the scope of museum districts to include buildings or areas used for promoting culture and the arts, including theater, music, entertainment, public places, libraries, and other public assets.

The proposal restricts the creation of museum and cultural districts under these provisions to situations where the majority of the property is located within a disaster area.

The proposal requires that petitions to create museum and cultural districts be filed within five years of the Presidential declaration establishing the disaster area.

The proposal permits the General Assembly to authorize appropriations from General Revenue to a district created under this proposal for a period of twenty years after January 1, 2013.

FISCAL DESCRIPTION (continued)

The proposal permits the museum district board to impose a sales tax and a fee of up to one dollar on any person or entity that offers or manages an event in the district and charges admission for the event with the approval of qualified voters. The district will not be required to contract only with a not-for-profit or governmental entity to operate and manage any museum or cultural asset in the district.

§§302.060, 302.302, 302.304, 302.309, 302.525, 476.385 and 577.041 - Alcohol Related Traffic Offenses:

This proposal changes the laws regarding alcohol-related traffic offenses.

§§ 348.273 and 348.274 Missouri Angel Investment Incentive Act:

The Missouri Angel Investment Incentive Act is established and is to be administered by the regional Missouri Small Business and Technology Development Center (SBTDC) and the SBTDC home office. The primary goal of the act is to encourage individuals to provide seed-capital financing for emerging Missouri businesses engaged in the development, implementation, and commercialization of innovative technologies, products, and services.

A tax credit must be allowed for an investor's cash investment in the qualified securities of a qualified Missouri business. The credit must be in a total amount equal to 50% of the investor's cash investment in any qualified Missouri business. This tax credit may be used in its entirety in the taxable year in which the cash investment is made except that no tax credit can be allowed in a year prior to 2013. If the amount by which that portion of the credit allowed exceeds the investor's liability in any one taxable year, beginning in 2013, the remaining portion of the credit may be carried forward until the total amount of the credit is used. If the investor is a permitted entity investor, the credit must be claimed by the owners of the permitted entity investor in proportion to their cash investment in the permitted entity investor.

The maximum tax credit allowed is \$50,000 for a single qualified Missouri business or a total of \$250,000 in tax credits for a single year per investor who is a natural person or owner of a permitted entity investor. No tax credits can be allowed for any cash investments in qualified securities for any year beginning after December 31, 2023. The total amount of tax credits that can be allowed cannot exceed \$6 million during any tax year. The balance of unissued tax credits may be carried over for issuance in future years until December 31, 2023.

FISCAL DESCRIPTION (continued)

§§ 32.087, 144.020, 144.021, 144.069, 144.071, 144.440, 144.450, 144.455, 144.525, 144.610, 144.613, 144.615 of the proposal have a nonseverability clause.

§§ 32.087, 144.020, 144.021, 144.069, 144.071, 144.440, 144.450, 144.455, 144.525, 144.610, 144.613, 144.615, 302.309 of the proposal have an emergency clause.

§§ 302.060, 302.302, 302.304, 302.525, 476.385, 577.041 of the proposal have an effective date of March 3, 2014.

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 - Division of Budget and Planning
Department of Economic Development
Department of Elementary and Secondary Education
Department of Insurance, Financial Institutions and Professional Registration
Department of Natural Resources
Department of Conservation
Missouri Lottery Commission
Department of Transportation
Department of Health and Senior Services
Department of Public Safety - Division of Fire Safety
Department of Higher Education
Department of Agriculture
State Treasurer's Office
Office of State Courts Administrator
Office of Administration
Office of Secretary of State
Joint Committee on Administrative Rules
Missouri Tax Commission
City of Kansas City
City of Columbia
City of Cape Girardeau
St. Louis County
St. Louis County Collector

KB:LR:OD

SOURCES OF INFORMATION (continued)

Boone County
Boone County Collector
University of Central Missouri
Linn State Technical College
Special School District
Parkway School District
Francis Howell School District
Barton County Hospital
Central County Fire Protection District
Battlefield Fire Protection District



Ross Strope
Acting Director
May 6, 2013