

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4819-01
Bill No.: SB 713
Subject: Secretary of State; Taxation and Revenue - Income
Type: Original
Date: April 7, 2014

Bill Summary: This proposal would exempt capital gains on gold and silver from income tax, and would authorize the storage of gold and silver in private repositories.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 143.111, RSMo. - Deduction from Missouri Adjusted Gross Income for Gains on Sale of Gold and Silver

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would exempt certain capital gains from the exchange of gold and silver from Missouri income tax.

In response to similar language in HB 1174 LR 4599-01, BAP officials stated income taxes on capital gains could be between \$100 million to \$200 million or more, in any given fiscal year, but also stated it is difficult to determine what portion of that may be due to the exchange of gold or silver.

Oversight will include in this fiscal note an unknown reduction in revenue from income taxes on capital gains on sales of gold and silver.

Officials from the **Department of Revenue** assume this proposal would allow for a deduction from Missouri adjusted gross income for capital gains from the exchange of gold or silver.

Fiscal impact

DOR officials stated they could not determine the amount of capital gains earned from the exchange of silver and gold, and assumed the deduction for capital gains income from the exchange of gold and silver could result in a negative impact on Total State Revenue from \$0 to \$200 million.

DOR officials did not provide an estimate of administrative cost for this provision, and **Oversight** assumes any DOR cost could be absorbed with existing resources.

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$13,759, based on 504 hours of programming to make changes to DOR systems.

ASSUMPTION (continued)

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.

Section 408.010, RSMo. - Nonbank depositories

Officials from the **Office of the Secretary of State - Securities Division** assume this proposal would require their organization to create and implement an entirely new regulatory structure for a to-be-determined and currently unregulated component of the financial services industry.

Securities Division officials assume the Missouri Securities Division would need to add, at a minimum, five new staff members and create and implement a new electronic registration system. The estimated cost for these additions would amount to, at a minimum, approximately \$370,000 per year in new General Revenue Fund expenses.

Administrative impact

The SOS response included costs for five additional employees and related equipment and expense totaling \$359,698 for FY 2015, \$364,723 for FY 2016, and \$368,346 for FY 2017.

Oversight does not have any information regarding the number or size of businesses which could be involved in the nonbank depositories which would be created if this proposal was enacted. However, Oversight assumes that initially, only a limited number of such businesses would be in operation. Accordingly, Oversight will include an unknown cost for the Office of the Secretary of State for staff, equipment, and expense to regulate the newly created businesses.

Oversight also assumes the Office of the Secretary of State would implement registration and other fees to support the cost of regulating the new businesses. Oversight assumes the General Revenue Fund would receive sufficient revenue from those fees to support the cost of regulating the businesses after the first few years of operation. For fiscal note purposes, Oversight will assume those revenues would be unknown but less than the cost of developing and operating the registration and regulation system for those businesses for FY 2015, FY 2016, and FY 2017.

ASSUMPTION (continued)

IT impact

The SOS response indicated there would be a cost for OA - ITSD (SOS) for new software and installation for the new registration system. SOS officials provided an estimate of \$37,500 for the software and installation and \$2,500 per year for maintenance, but stated they had not been able to review that estimate with OA - ITSD (SOS).

Oversight will include an unknown cost in this fiscal note for OA - ITSD (SOS) to develop and implement the new registration system in FY 2015. Oversight assumes the cost to maintain the system would be nominal and could be absorbed with existing resources.

Officials from the **Department of Revenue** noted this provision could conflict with existing statutory garnishment procedures, and stated if this provision was determined to govern garnishments, Total State Revenue could be reduced by more than \$6.5 million annually.

Administrative impact

DOR officials provided an estimate of the cost to implement this proposal, assuming this provision would conflict with existing provisions on garnishments. The total DOR cost estimate including six additional employees and related equipment and expenditures totaled \$199,206 for FY 2015, \$241,437 for FY 2016, and \$243,852 for FY 2017.

Oversight assumes this provision would be implemented in a way that preserves existing legal provisions on garnishments and will indicate no fiscal impact for the prospective loss of revenue or for additional DOR employees.

ASSUMPTION (continued)

Bill as a whole responses

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

Officials from the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of the State Treasurer** and the **Department of Insurance, Financial Institutions, and Professional Registration** assume this proposal would have no fiscal impact their organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Revenue reduction - DOR</u>			
Income tax exemption for gain on sale of gold and silver coins.			
Section 143.111	(Unknown)	(Unknown)	(Unknown)
<u>Revenue - SOS</u>			
Nonbank depository regulation			
Registration and other fees	Unknown	Unknown	Unknown
<u>Cost - SOS</u>			
Nonbank depository business regulation.			
Section 408.010			
Development of regulatory system	(Unknown)	\$0	\$0
<u>Cost - SOS</u>			
Nonbank depository business regulation.			
Section 408.010			
Salaries, benefits, equipment, and expense	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact on a small business involved in buying, selling, or storing gold and silver.

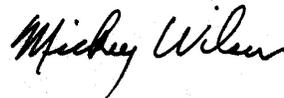
FISCAL DESCRIPTION

This proposal would exempt gains on the sale of gold and silver coins from state income tax, and would provide for the storage of gold and silver coins in private repositories.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Office of the State Treasurer
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Insurance, Financial Institutions, and Professional Registration



Mickey Wilson, CPA
Director
April 7, 2014

Ross Strobe
Assistant Director

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