

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4822-01
Bill No.: SJR 44
Subject: Appropriations; Constitutional Amendments; Tax Credits
Type: Original
Date: February 12, 2014

Bill Summary: This proposal would require revenues received by the state in excess of what is appropriated be refunded to taxpayers in the form of a tax credit.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0 or (More than \$7,100,000)	\$0 or (\$119,914)	\$0 or (Unknown Greater than \$1,343,665)
Total Estimated Net Effect on General Revenue Fund	\$0 or (More than \$7,100,000)	\$0 or (119,914)	\$0 or (Unknown Greater than \$1,343,665)

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
General Revenue	0 FTE	0 FTE	0 or 7 FTE
Total Estimated Net Effect on FTE	0 FTE	0 FTE	0 or 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 2015	FY 2016	FY 2017
Local Government *	\$0	\$0	\$0

* Net of potential elections costs and reimbursements.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, state law requires the state to pay the costs. The cost of the special election has been estimated to be \$7.1 million based on the cost of the 2012 Presidential Preference Primary. This figure was determined through analyzing and totaling expense reports from the 2012 Presidential Preference Primary received from local election authorities.

The SOS is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by the Missouri Constitution and state law. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2013, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$2.17 million to publish (an average of \$434,000 per issue). Therefore, the SOS assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. However, because these publications are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly change the amount or eliminate the estimated nature of our appropriation.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** assume this proposal would require revenues in excess of appropriations to be refunded to taxpayers on a pro rata basis.

If this amendment is adopted in November, 2014, the Department assumes that the first year the resolution would apply would be Fiscal Year 2015. Therefore, taxpayers would apply for the refundable tax credit on the 2016 returns, which would be filed in Tax Year 2017.

Administrative impact

DOR officials assume Personal Tax would require two additional Revenue Processing Technicians I for processing tax credits and correspondence, and two additional Temporary Employees for key entry.

DOR officials also noted if the Department is to mail each individual income taxpayer the amount of refund available, the Department would be required to mail letters of notification to 2,383,832 taxpayers at an estimated cost of \$1,394,663.

In addition, DOR officials stated if the Department establishes an on-line and phone system to provide taxpayers information on their available refundable tax credit, the Department would be required to mail postcards of notification to taxpayers at a cost of \$786,665. However, additional programming would be required. DOR officials assumed 400 hours of programming time would be required to develop an online inquiry system at a cost of \$10,920, as well as a contract with a vendor for the call system at an estimated cost of \$30,000.

DOR officials assume Corporate Tax would require three additional Revenue Processing Technicians I for additional tax credit redemptions, correspondence, and errors. Each technician would require CARES phone and agent license.

DOR officials assume Collections and Tax Assistance (CATA) would have a high volume of contacts regarding this refundable tax credit, and CATA would require two additional Tax Collection Technicians I for additional contacts and one additional Revenue Processing Technician I for additional contacts annually to the tax assistance offices. Each technician would require CARES equipment and licenses.

ASSUMPTION (continued)

DOR officials assume the refund authorized under this constitutional provision would be deemed an "overpayment" subject to the state debt offset program under existing state law. If so, this may have another impact on the Department by increasing the amount of offsets for tax delinquencies and other state debts.

The DOR estimate of cost to implement this proposal including seven additional employees, benefits, equipment and expense totaled \$1,217,631 for FY 2015, \$1,281,319 for FY 2016, and \$1,309,127 for FY 2017.

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 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 will include mailing costs for FY 2017 only, of \$1,024,632.

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$30,358 based on 1,112 hours of programming for changes to the individual income tax system and \$41,278 based on 1,512 hours of programming for changes to the fiduciary tax system. In addition, DOR officials assume Corporate Tax would have a cost of \$41,278 based on 1,512 hours of programming to make changes to DOR systems.

The DOR estimate of IT cost totaled \$119,914.

Oversight notes this proposal would be contingent on voter approval and will include \$0 or the DOR estimate of cost (as adjusted) for FY 2017. Oversight assumes IT cost would be required in FY 2016 to prepare for the potential FY 2017 distributions.

ASSUMPTION (continued)

Officials from the **Office of Administration - Office of Administration - Budget and Planning (BAP)** state if they are required to complete an annual calculation determining if the refund trigger was hit, an additional staff member will be needed. BAP would need to hire an additional Accounting Specialist III to complete this work at a salary of \$47,412 annually. The process to track revenues to appropriations is manual and labor intensive, so one staff would be needed.

The bill does not clearly define appropriation. For purposes of this fiscal note BAP assumes that appropriations are all final operating, capital and supplemental appropriations for a fiscal year that are counted in the executive budget.

BAP is using Fiscal Year 2012 information for this fiscal note, because there is no final audit of the 2013 total state revenue calculation. The total appropriations for Fiscal Year 2012 were \$23,583.64 million. Audited Fiscal Year 2012 total state revenues were \$8,755.67 million. Therefore, total state revenues would not exceed appropriations and no refund would have been triggered. BAP is assuming that this resolution applies only to fiscal years after it is enacted. The first Fiscal Year following the November 2014 general election is Fiscal Year 2015. In the event that a refund would be triggered for Fiscal Year 2015, BAP notes that the refund would impact Fiscal Year 2017.

Oversight assumes BAP would be able to implement the proposal with existing resources.

Oversight will include \$0 or an unknown amount for potential refunds in FY 2017.

Oversight has reflected in this fiscal note, the cost to the state for potential reimbursement to local political subdivisions for the cost of having this joint resolution voted on during a special election in fiscal year 2015. This reflects the decision made by the Joint Committee on Legislative Research, that the cost of the elections should be shown in the fiscal note. The next scheduled general election is in November 2014 (FY 2015). It is assumed the subject within this proposal could be on that ballot; however, it could also be on a special election called for by the Governor. Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2015.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Transfer Out</u> - Secretary of State - reimbursement of special election costs	\$0 or (More than \$7,100,000)	\$0	\$0
Department of Revenue			
Administrative cost			
Salaries	\$0	\$0	\$0 or (\$167,135)
Benefits	\$0	\$0	\$0 or (\$85,247)
Mailing	\$0	\$0	\$0 or (\$1,024,632)
Equipment and Expense	\$0	\$0	\$0 or (\$66,651)
		\$0 or	
IT cost	<u>\$0</u>	<u>(\$119,914)</u>	<u>\$0</u>
		\$0 or	\$0 or (\$1,343,665)
Total	\$0	(\$119,914)	
FTE change - DOR	0 FTE	0 FTE	0 or 7 FTE
 Refunds	 <u>\$0</u>	 <u>\$0</u>	 \$0 or <u>(Unknown)</u>
 ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	 \$0 or (More than <u>\$7,100,000</u>)	 \$0 or <u>(\$119,914)</u>	 \$0 or (Unknown Greater than <u>\$1,343,665</u>)
 Estimated Net FTE Effect on General Revenue Fund	 0 FTE	 0 FTE	 0 or 7 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
LOCAL GOVERNMENTS			
<u>Transfer In</u> - from General Revenue Fund for reimbursement of special election costs	\$0 or More than \$7,100,000	\$0	\$0
<u>Cost</u> - special election costs	\$0 or (More than \$7,100,000)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could provide income tax refunds to small businesses and their owners.

FISCAL DESCRIPTION

This proposal would require revenues received by the state in excess of what is appropriated be refunded to taxpayers in the form of a tax credit.

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 the Secretary of State
Office of Administration
Office of Administration - Budget and Planning

Mickey Wilson, CPA
Director
February 12, 2014



Ross Strobe
Assistant Director
February 12, 2014