

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5450-01  
Bill No.: Truly Agreed To and Finally Passed HB 1455  
Subject: Taxation and Revenue - General; Taxation and Revenue - Income; Department of Revenue  
Type: Original  
Date: June 6, 2014

Bill Summary: This proposal would change the law regarding burden of proof for the Director of Revenue in tax liability disputes.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(More than \$106,085)	(More than \$113,529)	(More than \$114,682)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(More than \$106,085)</b>	<b>(More than \$113,529)</b>	<b>(More than \$114,682)</b>

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

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	2 FTE	2 FTE	2 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of the Attorney General** assumed any potential costs arising from this proposal could be absorbed with existing resources.

Officials from the **Office of State Courts Administrator** and the **Joint Committee on Administrative Rules** assume this proposal would have no fiscal impact to their organizations.

Officials from the **Department of Revenue (DOR)** assume this proposal would result in increased litigation, and the Department's General Counsel would require one additional legal counsel and one additional paralegal.

DOR officials provided an estimate of the cost to implement the proposal including one additional attorney and one additional paralegal. The total DOR cost estimate for the additional employees, benefits, equipment, and expense, was \$147,759 for FY 2015, \$163,110 for FY 2016, and \$165,257 for FY 2017.

**Oversight** notes this proposal could result in either more or less litigation for DOR but will assume for fiscal note purposes DOR would have additional costs associated with litigation.

**Oversight** assumes the DOR estimate of expense and equipment cost for the new employees 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 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 also include an unknown revenue reduction for the General Revenue Fund in this fiscal note. Oversight assumes any fiscal impact to other state funds or to local governments would be minimal.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE FUND</b>			
<u>Cost - DOR</u>			
Additional litigation			
Section 136.300			
Salaries	(\$61,990)	(\$74,388)	(\$75,132)
Benefits	(\$31,618)	(\$37,942)	(\$38,321)
Equipment and expense	<u>(\$12,477)</u>	<u>(\$1,199)</u>	<u>(\$1,229)</u>
Total	(\$106,085)	(\$113,529)	(\$114,682)
 <u>FTE change - DOR</u>	 2 FTE	 2 FTE	 2 FTE
 <u>Revenue reduction - Burden of proof</u>			
Section 136.300	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
 <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	 <b>(More than <u>\$106,085</u>)</b>	 <b>(More than <u>\$113,529</u>)</b>	 <b>(More than <u>\$114,682</u>)</b>
 Estimated Net FTE effect on General Revenue Fund	 2 FTE	 2 FTE	 2 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2015 (10 Mo.)	 FY 2016	 FY 2017
	 <b><u>\$0</u></b>	 <b><u>\$0</u></b>	 <b><u>\$0</u></b>

FISCAL IMPACT - Small Business

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

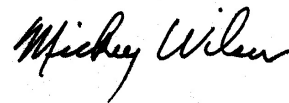
FISCAL DESCRIPTION

This proposal would shift the burden of proof to the Department of Revenue in certain tax disputes.

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 State Courts Administrator  
Office of the Attorney General  
Joint Committee on Administrative Rules  
Department of Revenue



Mickey Wilson, CPA  
Director  
June 6, 2014

Ross Strobe  
Assistant Director  
June 6, 2014