

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5863-02
Bill No.: Truly Agreed To and Finally Passed SCS for SB 829
Subject: Liability; Revenue Department; Taxation and Revenue - General
Type: Original
Date: June 4, 2014

Bill Summary: This proposal would remove a requirement that certain entities must meet for the burden of proof to be put on the Director of Revenue in tax liability disputes.

FISCAL SUMMARY

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

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 6 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	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 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

FISCAL ANALYSIS

ASSUMPTION

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 **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 **Office of Administration, Division of Budget and Planning (BAP)**, assume this proposal would impose the burden of proof in all tax liability cases on the Department of Revenue. BAP officials assume this may impact the amount of litigation that the DOR is party to, but would not directly impact Total State Revenues.

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 council 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.

ASSUMPTION (continued)

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
GENERAL REVENUE FUND			
<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>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(More than <u>\$106,085</u>)	(More than <u>\$113,529</u>)	(More than <u>\$114,682</u>)
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
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

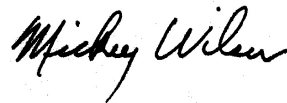
FISCAL DESCRIPTION

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



Mickey Wilson, CPA
Director
June 4, 2014

Ross Strobe
Assistant Director
June 4, 2014