COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0137-06
Bill No.: CCS for HCS for SS for SCS for SB 115
Subject: Revenue, Department of; Taxation and Revenue - Income
Type: Original
Date: May 6, 2015

Bill Summary: This proposal would change several provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(Could exceed $304,144)	(Could exceed $548,002)	(Could exceed $548,488)
Total Estimated Net Effect on General Revenue	**(Could exceed $304,144)**	**(Could exceed $548,002)**	**(Could exceed $548,488)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
School District Trust	$0	(Less than $147,663)	(Less than $147,663)
Conservation Commission	$0	(Less than $18,458)	(Less than $18,458)
Parks, and Soil and Water	$0	(Less than $14,766)	(Less than $14,766)
Total Estimated Net Effect on Other State Funds	**$0**	**(Less than $180,887**	**(Less than $180,887**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 25 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	**1 FTE**	**1 FTE**	**1 FTE**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	**$0 to Unknown**	**(Less than $572,932) to Unknown**	**Less than $572,932) to Unknown**

FISCAL ANALYSIS

ASSUMPTION

Sections 32.069, 136.110, and 143.811, RSMO. - Department of Revenue Procedures:

Changes to these provisions would require the Department of Revenue to process and deposit receipts more promptly, and would change the required payment of interest on unpaid refunds from 90 days to 45 days.

Officials from the **Department of Revenue (DOR)** assumed similar language in SB 350 LR 1272-01 would have a negative fiscal impact on the General Revenue Fund, as discussed in detail below.

Section 32.069, RSMo. - Interest on Refunds:

DOR officials noted the legislation would require the payment of interest on any overpayment of taxes if not refunded within 45 days. If the overpayment was not refunded within 45 days, interest would accrue from the date the taxpayer filed the return or the date the taxpayer filed for a credit or refund.

Section 143.811, RSMo. - Time Limit for Refunds:

DOR officials noted the legislation would reduce the time allowed to refund tax overpayments without paying interest from 90 to 45 days. Interest on unpaid refunds would accrue from the date the Department received the return.

Fiscal impact

Based on approximately 318,000 overpayments issued during calendar year 2014 that took longer than 45 days to issue, DOR officials estimated that interest in the amount of $60,000 would have been paid if the 45 day limit had been in place. DOR officials also stated the current interest rate on overpayments is 0.6 percent; because that rate may vary, the potential impact could increase.

ASSUMPTION (continued)

Oversight assumes the additional interest cost would be less than the DOR estimate of $60,000 if DOR updates its procedures and provides additional resources to process refunds more promptly.

Oversight notes that DOR officials did not indicate a fiscal impact for the requirement to deposit all receipts within two days. Oversight also assumes the prompt deposit requirement would result in additional interest revenue for the state but we do not have any way to estimate that additional impact.

Administrative Impact

DOR officials assumed the Department would require programming changes to various systems in order to implement the legislation. DOR officials assumed Personal Tax would require an additional ten (10) Revenue Processing Technicians I (Range 10, Step L) and Collections and Tax Assistance (CATA) would require two additional Tax Collection Technicians I (Range 10, Step L), one for every additional 15,000 contacts annually on the delinquent tax line and one for every additional 15,000 on the non-delinquent tax line. DOR officials assumed each technician would require CARES equipment and license.

Section 136.110, RSMo. - Deposit Processing:

DOR officials noted this provision would require the Department to deposit payments received within two business days of receipt and stated the current average time to deposit is 1.68 days for Personal Tax payments and 1.04 days for Business Tax payments.

Administrative Impact

DOR officials assumed Personal Tax would require an additional 75 temporary employees during peak processing times to ensure that all payments are deposited within two business days of receipt, and Business Tax Processing would require three additional Revenue Processing Technicians I (Range 10, Step L) and one (1) Revenue Processing Technician III (Range 16, Step E) on a temporary basis at peak processing times to ensure all payments are deposited within two business days of receipt. DOR officials assumed the Department would also require four additional Transaction Management System (TMS) Licenses to process payments.

ASSUMPTION (continued)

In summary, the DOR estimate of cost to implement the proposal including twelve additional full time employees, 2,400 hours per year for temporary tax employees, 1,088 hours of overtime per year for current full time employees, and the related benefits, equipment, and expense, was $641,781 for FY 2016, $615,992 for FY 2017, and $621,759 for FY 2018.

Oversight assumes these provisions would not result in any additional returns, receipts, refunds, or other transactions; rather, it would require more timely processing of returns, payments, and refunds by the Department of Revenue. No additional full time employees would appear to be required to process this information more promptly, and Oversight will include only the DOR cost estimate for overtime, temporary classified employees, and temporary tax employees in our estimate of fiscal impact for this proposal. Oversight notes this proposal would be effective beginning on August 28, 2015 (FY 2016) and assumes these costs would apply to the tax processing season beginning in January 2016 (FY 2016).

Oversight also 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. Oversight assumes a limited number of additional employees could be accommodated in existing office space. Finally, because the temporary classified employee would be benefit eligible, Oversight will indicate one additional FTE for this proposal.

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of $75,087 based on 1001.16 hours of programming to make changes to DOR computer systems.

Oversight assumes the programming would be limited to those changes necessary to process and pay interest according to the requirements in this proposal, and will include the DOR IT cost in our estimate of fiscal impact.

ASSUMPTION (continued)

Officials from the **Office of Administration, Division of Budget and Planning (BAP)**, assumed similar language in SB 350 LR 1272-01 would require DOR to remit refunds within 45 days. If the deadline is not met, interest would be paid from the date DOR received the return. In addition, DOR would be required to deposit all payments within 2 business days.

BAP officials noted the amount paid out in interest would increase as the time frame for requiring interest payments is reduced, and deferred to DOR for an estimated amount. BAP officials assume the proposal would have no impact to Total State Revenue or the calculation required under Section 18(e) of the state constitution.

Section 65.620, RSMo. - County Tax Levy after Townships Abolished:

Changes to this provision would allow a county which had abolished townships to levy a property tax equivalent to the former township operating levy for one year after townships are abolished.

Officials from the **Office of the State Auditor** assume no fiscal impact from similar language in SCS for SB 245 LE 0780-02.

In response to similar language in SCS for SB 245 LR 0780-02 the **State Tax Commission** assumed there would be no fiscal impact to their organization.

Officials from the **Platte County Board of Election Commission** assumed no fiscal impact to their organization from similar language in SCS for SB 245 LR 0780-02.

Oversight did not receive sufficient fiscal impact responses from counties with townships to make a determination whether those counties would experience a loss in property tax revenue from this proposal. Therefore, Oversight will reflect from $0 to Unknown additional revenue to counties in the fiscal note. The impact could occur in FY 2016 if the voters of the county had previously voted to eliminate townships.

ASSUMPTION (continued)

Sections 105.145, 238.222, and 238.272 Audits of Transportation Development Districts:

Officials from the **Office of the State Auditor** assumed similar language in HCS for HB 777 LR 1681-03 would have no fiscal impact on their organization.

In response to HB 777 LR 1681-1, officials from the **Department of Revenue** assumed the proposal would require the department to create a form. This form could be set up in the department's existing county fees system without any additional resources.

Oversight notes the Office of the State Auditor (SAO) issued report No. 2013-065 in 2013 entitled Transportation Development Districts regarding their financial statement reporting requirements. The report stated as of December 31, 2011, 49 districts (of the 176 at the time) filed financial statements/audit reports late or did not file financial statements with the Office of the State Auditor at all. While a fine for late filing of financial statements is provided, Section 105.145.8 currently does not establish the agency responsible for the assessment or a collection mechanism for these fines; therefore, no fine revenue has been collected to date. The report also stated, as of February 1, 2013, the potential accumulated fine amounts were $16,859,000.

This proposal provides that future fine revenue would be distributed to local school districts (after the Department of Revenue retains a collection fee of not more than two percent) in the same manner that proceeds for all penalties, forfeitures, and fines collected for any breach of the penal law of the state are distributed. **Oversight** assumes the $500 fine is already established in statutes and that Transportation Development Districts (currently 195 districts) will timely submit their financial statements. Therefore, Oversight will assume no additional fiscal impact from this proposal.

In response to a similar proposal (HB 136) from this year, officials from **Department of Transportation** and the **City of Kansas City Public School District** assumed the proposal would have no fiscal impact on their organizations

ASSUMPTION (continued)

Section 137.016 Assessment of Bed and Breakfast Establishments:

Changes to this provision would specify that a Bed and Breakfast establishment is to be assessed for real estate tax purposes as residential property.

Oversight has received no responses to this provision and assumes the provision would, in general, lead to an unknown reduction in the assessed valuation of real properties. **Oversight** notes, based on information from the Missouri Tax Commission, that the total assessed valuation of real property has decreased in the last three assessment cycles. Oversight is also aware that many additional factors influence actual property tax revenues for local governments and the Blind Pension Fund, which are supported by those revenues. For the purposes of this fiscal note, Oversight will assume there would be no revenue reductions to political subdivisions or the Blind Pension Fund resulting from the additional requirements for assessed valuations proposed in this legislation.

Section 137.018 Assessment of Short-term Rental Equipment:

Changes to this provision would specify that equipment held for short-term rental is to be considered merchandise for property tax purposes.

Officials from the **Department of Revenue** assumed similar language in HB 879 LR 2029-01 would have no fiscal impact on their organization.

Officials from the **State Tax Commission** assumed similar language in HB 879 LR 2029-01 would have no impact on their organization. They also stated there could be a potential loss at the county level of a substantial nature if items that are normally assessed such as leased vehicles, are leased in a manner that would qualify them under this proposal.

Oversight notes that the bill indicates the term "merchandise" would include rentals of equipment and other merchandise offered for short term rentals (later clarified as less than 365 consecutive days) by rental companies classified under SIC 532412 - Construction, Mining, Forest Machinery and Equipment Rental & Leasing; and 532210 - Consumer Electronics and Appliance Rental.

ASSUMPTION (continued)

Oversight assumes the proposal would not include assets such as leased vehicles. Oversight will further assume the fiscal impact to the Blind Pension Fund and to counties would be minimal and for simplicity will not include this potential revenue reduction in this fiscal note.

Section 137.076, RSMo - Additional Factors in Assessed Valuation:

Changes to this provision would add several additional factors that an assessor would be required to consider in establishing the value for property tax purposes of a parcel of real estate.

Oversight has received no responses to this provision and assumes this provision would, in general, lead to an unknown reduction in the assessed valuation of real properties. **Oversight** notes, based on information from the Missouri Tax Commission, that the total assessed valuation of real property has decreased in the last three assessment cycles. Oversight is also aware that many additional factors influence actual property tax revenues for local governments and the Blind Pension Fund, which are supported by those revenues. For the purposes of this fiscal note, Oversight will assume there would be no revenue reductions to political subdivisions or the Blind Pension Fund resulting from the additional requirements for assessed valuations proposed in this legislation.

Sections 140.170, 140.195, 140.310, 140.340, 140.350, 140.405, 140.410, and 140.420 Collection of Delinquent Property Tax:

Officials from the **Department of Revenue,** the **State Tax Commission** and the **County of St. Louis** assumed similar language in HB 613 LR 1344-04 would have no fiscal impact to their organizations.

Officials from the **Attorney General's Office** assumed any potential costs arising from similar language in HB 613 LR 1344-04 could be absorbed with existing resources.

Oversight notes these provisions relate to delinquent tax sale procedures and assumes these provisions would have no fiscal impact on the state or on local governments.

ASSUMPTION (continued)

Section 143.161 Dependency Exemption for Stillborn Child:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed similar language in SB 471 LR 2245-01 would allow a taxpayer to claim a dependent deduction of $1,200 in the year that a stillbirth occurred, beginning in 2015. According to data provided by the Department of Health and Senior Services (DHSS), there was an annual average of 414 fetal deaths from 2009 - 2013. BAP officials noted the same state statute defines fetal deaths and stillbirths. Since deductions do not reduce taxes on a dollar for dollar basis, BAP officials estimated this proposal would reduce Total State Revenues (414 x $1,200 x 6%) = $29,808 - rounded to $30,000. BAP officials assume the numbers may vary in the future due to the impact of SB 509 (2014).

Oversight notes that any potential changes to the maximum individual income tax rate resulting from SB 509 would depend on a revenue threshold which may or may not be reached. Oversight will use the BAP estimate of fiscal impact beginning in FY 2016 when tax returns for 2015 would be filed. Oversight will include the fiscal impact for this proposal in the year the affected tax return would be filed.

Officials from the **Department of Revenue (DOR)** assumed similar language in SB 471 LR 2245-01would, if implemented, allow a dependency exemption in the year in which the stillbirth occurred, if the child would have been a member of the taxpayer's household. The proposal would be effective beginning January 1, 2015.

Administrative impact

DOR officials did not provide an estimate of administrative cost to implement this proposal, and **Oversight** assumes DOR could implement the proposal with existing resources.

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of $37,584 based on 501 hours of contract programming to make changes to DOR systems at the current state contract rate of $75.

Oversight will include the DOR estimate of IT cost in this fiscal note, in FY 2016.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State**, the **Joint Committee on Administrative Rules**, and the **Department of Health and Senior Services** assumed similar language in SB 471 LR 2245-01 would have no fiscal impact on their organizations.

Section 143.221 Withholding Tax Filing Frequency:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** noted similar language in HB 502 (LR 1199-01) would increase the threshold for annual withholding filers from $20 to $100. Withholding taxes that would otherwise have been collected on a quarterly basis in April, July, and October would be delayed until January. This proposal would not impact state revenues in the aggregate, but could have a cash flow impact across fiscal years.

Assuming the proposal would be effective August 28, 2015, quarterly payments due in October 2015 would instead be remitted in January 2016. This would have no cash effect overall for FY 2016, though timing of payments are different. However, some quarterly payments due in April of 2016 would not arrive until January 2017. Therefore, revenue collections would be reduced in FY 2016, but the payments in FY 2017 would increase by similar amounts. Further, similar patterns would follow in subsequent years.

BAP officials noted there would be a very slight reduction in Total State Revenue and general revenue the first year by the amount of interest the state would have earned on the withholdings received before the end of the calendar year. BAP officials estimated the amount would be less than $20,000. BAP officials assume this proposal would not impact the calculation required under Section 18(e) of the state constitution.

BAP officials stated the Department of Revenue had reported about 3,500 businesses would be impacted by this proposal.

Officials from the **Department of Revenue (DOR)** noted similar language in HB 502 (LR 1199-01) would change current filing requirements for employee withholding tax. If an employer deducts and withholds less than $100 in each of the four preceding quarters, the employer would be allowed to file a withholding return for a calendar year at a time. DOR officials noted the department could increase the amount required for making an annual employer withholding payment and return to more than $100 or decrease such required amount; however, the decreased amount could not be less than $100.

ASSUMPTION (continued)

Administrative impact

DOR officials assumed the Department would need to make forms changes, and the Department and ITSD-DOR would need to make programming changes to various tax systems.

Oversight notes DOR officials did not provide an administrative cost estimate for this proposal and assumes DOR could implement this proposal with existing resources.

Fiscal impact

DOR officials also assumed the proposal would not reduce Total State Revenue (TSR), but would delay the collection of withholding taxes. DOR officials assume this legislation would impact approximately 3,500 businesses that could delay the remittance of their withholding taxes until January of the following year. These taxes would have otherwise been paid in April, July, and October. Assuming the state could earn a rate of interest of five percent; this could reduce total state revenue by $17,500 annually.

Oversight has reviewed the DOR estimate of potential interest income that would be lost if this provision was implemented and assumes the estimate would be reasonable if all or most of the eligible employers elected annual filing, and if the state could receive five percent interest on invested funds.

According to published reports by the Office of the State Treasurer, however, the year-to-date yield on invested funds for 2015 is 0.63% and has been near that rate for the last several years. The maximum expected revenue reduction would be approximately ($17,500 / 5% x 0.63%) = $2,200 (rounded) and would likely be less than that amount if less than 100% of eligible employers elect annual filing.

For simplicity, **Oversight** will not include an estimate of potential interest reduction for this provision in this fiscal note.

ASSUMPTION (continued)

IT impact

DOR officials provided an estimate of the IT cost to implement the proposal of $2,997 based on 40 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 computer programming 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 budget process.

Oversight assumes this proposal would allow certain employers to delay filing and paying withholding taxes, which are currently due on a quarterly basis, until the following January 31. The amount of tax due and the overall amount of revenue for a tax year would not change; however, implementing the provisions could delay receipt of withholding taxes as explained below.

* Taxes withheld for the third calendar quarter ending September 30, 2015 are currently filed and paid by October 31, 2015 (FY 2016); the proposal would include those taxes in an annual filing due January 31, 2016 (FY 2016). Those taxes would be received in the same fiscal year as currently required, although filing and payment of those funds would be delayed three months. For fiscal note purposes there would be no impact from that delay.

* Taxes withheld for the fourth calendar quarter ended December 31, 2015 would be paid January 31, 2016 (FY 2016) as currently required.

* Taxes withheld for the first calendar quarter ending March 31, 2016 are currently required to be filed and paid by April 30, 2016 (FY 2016). The proposal would include those taxes in an annual filing due January 31, 2017 (FY 2017). That delay would be permanent, as each year's first quarter withholding taxes would be paid the following state fiscal year.

ASSUMPTION (continued)

- * Taxes withheld for the calendar quarters ending June 30, 2016 are currently required to be filed and paid by July 31, 2016, and taxes withheld for the quarter ending September 30, 2016 currently required to be filed and paid by October 31, 2016 (FY 2017) would be paid by January 31, 2017 (FY 2017). Those taxes would be paid in the same fiscal year as currently required but would be delayed six months and three months, respectively, as compared to current requirements.

- * Based on the number of filers provided by the Department of Revenue, the amount of first calendar quarter withholding taxes delayed over the end of a state fiscal year could range from (3,500 filers x the current $20 threshold) = $70,000 to (3,500 filers x the new $100 threshold) = $350,000.

For fiscal note purposes, **Oversight** will indicate an unknown revenue reduction for FY 2016 due to first calendar quarter withholding taxes which would be remitted in January, 2017 (FY 2017) rather than April 2016 (FY 2016).

Section 143.801, RSMo. - Credits and Refunds

Changes to this provision would allow a taxpayer to claim a credit or refund for overpayment of income taxes after the statute of limitations for making a claim has expired, if the taxpayer files an amended federal return or if the federal Internal Revenue Service changes the taxpayer's federal return after such time has expired.

Officials from the **Office of Administration - Division of Budget and Planning** assumed similar language in SS for SCS for SB 115 LR 0137-02 could reduce Total State Revenues and General Revenue but would not have an impact on the calculation of excess revenue under Section 18(e) of the state constitution.

Officials from the **Department of Revenue (DOR)** assumed similar language in SS for SCS for SB 115 LR 0137-02 could result in additional refunds.

Oversight will assume this proposal would result in an unknown amount of additional refund payments.

ASSUMPTION (continued)

Oversight notes the proposal would require DOR to create a process to allow a taxpayer to claim refunds and credits which can not be claimed under current statute of limitations provisions. That process would become available if the taxpayer files an amended federal return, or the Internal Revenue Service changes the taxpayer's federal return and the changes would make the taxpayer eligible for a credit or refund.

Administrative Impact

DOR officials assumed Personal Tax would require two additional Revenue Processing Technicians I for returns processed and error correction, and Corporate Tax would require one additional Revenue Processing Technician I for correspondence, and programming time to develop and install new notices and notice messages. In addition, Collections & Tax Assistance (CATA) would require two additional Tax Collection Technicians I for calls to the delinquent and non-delinquent call centers. These personnel would require CARES equipment and licenses. Finally, Withholding Tax would require one additional Revenue Processing Technician I for correspondence.

The DOR estimate of cost to implement this proposal including six additional employees, benefits, equipment, and expense, totaled $245,770 for FY 2016, $252,257 for FY 2017, and $254,882 for FY 2018.

Oversight assumes a relatively small number of additional refunds would be allowed by this proposal and assumes DOR could implement this proposal with existing resources. If an unanticipated additional workload is created by this proposal or if multiple proposals are implemented which increase the DOR workload, additional resources could be requested through the budget process.

IT impact

DOR officials also provided an estimate of the IT cost to implement this proposal of $100,700 for 1,343 hours of contractor programming at $75 per hour.

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

ASSUMPTION (continued)

Section 143.1028 Direct Deposit of Income Tax Refund to Higher Education Savings Account

This provision would, beginning January 1, 2016, allow individuals entitled to a tax refund to designate all or part of the refund to be direct deposited into a financial institution managing the Missouri Higher Education Savings Program. The provisions would require a deposit of at least $25 in the tax year refunded.

In response to similar language in SCS for HCS for HB 811 LR 1355-04 officials from the **Office of Administration - Division of Budget and Planning (BAP)** stated there would be no impact to Total State Revenues or the calculation for 18(e). To the extent this provision could result in additional taxpayer contributions to the MOST Program, the additional tax deductions could indirectly reduce revenues.

Oversight notes that a direct deposit into a MOST account from a taxpayer's refund would be a deductible contribution in the following year for some taxpayers; however the extent to which those deposits would increase total deposits for the program and the extent to which those additional deposits would result in additional income tax deductions is unknown and would be considered an indirect impact from this proposal. Oversight will not include a fiscal impact for additional deductions in this fiscal note.

Officials from the **Department of Revenue (DOR)** assumed similar language in HB 1060 LR 1803-01 would, beginning January 1, 2016, allow individuals entitled to a tax refund to designate all or part of the refund to be direct deposited into a financial institution managing the Missouri Higher Education Savings Program. The provisions would require a deposit of at least $25 in the tax year refunded. The taxpayer must clearly print on each income tax return form provided by the state.

Administrative Impact

DOR officials assume the Department would require form and programming changes, and Personal Tax would require two additional Temporary Tax Employees to key the MOST trust fund account information and two (2) Revenue Processing Technicians I (Range 10, Step L) for correspondence and error correction. Collections and Tax Assistance would require one additional Tax Collection Technician (Range 10, Step L) for every additional 15,000 contacts annually on the non-delinquent tax line. The technician would require CARES equipment and license.

ASSUMPTION (continued)

The DOR estimate of cost to implement this proposal including three additionale mployees and the related benefits, equipment, and expense totaled $136,146 for FY 2016, $142,201 for FY 2017, and $143,672 for FY 2018.

Oversight assumes these provisions would not result in any additional returns, receipts, refunds, or other transactions; rather, it would create an additional option for taxpayers to designate the disposition of income tax refunds. No additional full time employees would appear to be required.

IT impact

DOR officials stated that due to the effective date, this provision would not impact ITSD.

Section 144.049, RSMo. - Sales Tax Exemption for Certain Graphing Calculators:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** noted similar language in HB 410 (LR 0881-01) would add graphing calculators valued at $150 or less to the sales tax holiday in August.

BAP officials used information provided by the Department of Elementary and Secondary Education (DESE) which indicated there were 98,442 students enrolled in Pre-Algebra or Algebra I in 2012. BAP officials assumed each of these students was a new algebra student that required a new graphing calculator, or (98,442 x $150) = $14,766,300 in purchases. BAP officials noted it is possible (or even likely) that not every student would make a qualifying calculator purchase. BAP officials stated they had no data to indicate how many the purchases would be made in stores vs. by e-commerce, nor does BAP have data to indicate how many of these sales might occur during the holiday.

ASSUMPTION (continued)

Oversight assumes many but not necessarily all of the graphing calculators in the BAP estimate of sales would be purchased during the sales tax holiday. Oversight also notes that local governments could opt out of the sales tax holiday. Oversight has calculated the following estimated impact of the proposed sales tax exemption for graphing calculators based on the BAP estimate of qualifying sales.

Fund	Sales Tax Rate	Estimated Revenue Reduction
General Revenue	3.0000%	$442,989
School District Trust	1.0000%	$147,663
Conservation Commission	0.1250%	$18,458
Parks, and Soil and Water	0.1000%	$14,766
Local Governments *	3.8800%	$572,932
* The 3.88 percent average local government sales tax rate was calculated by Oversight based on tax collections reported by the Department of Revenue.		

Oversight notes the amounts calculated would be considered maximum amounts for the sales tax exemption, and will indicate a fiscal impact up to those amounts.

Oversight notes that sales tax revenues in the School District Trust Fund are allocated to Missouri school districts according to a formula in Section 163.087, RSMo. but Oversight will not include those distributions in this fiscal note.

Oversight also notes the proposal would become effective after the sales tax holiday in August of 2015 (FY 2016) so the first impact would be in FY 2017.

ASSUMPTION (continued)

Officials from the **Department of Conservation (MDC)** assumed similar language in HB 410 (LR 0881-01) would have an unknown negative fiscal impact to their organization, but greater than $100,000. MDC officials stated Conservation Sales Tax funds are derived from a one-eighth of one percent sales and use tax pursuant to the Missouri Constitution. MDC officials deferred to the Department of Revenue for an estimate of the anticipated fiscal impact for this proposal.

Officials from the **Department of Natural Resources (DNR)** stated the Department's Parks and Soils Sales Tax funds are derived from a one-tenth of one percent sales and use tax pursuant to the Missouri Constitution. DNR officials deferred to the Department of Revenue and Office of Administration - Division of Budget and Planning for a more detailed account of the fiscal impact of similar language in HB 410 (LR 0881-01).

Officials from **Cole County** stated they could not provide an estimate of the fiscal impact of similar language in HB 410 (LR 0881-01).

Officials from the **City of Columbia** stated their organization would have no fiscal impact from similar language in HB 410 (LR 0881-01) since the City had opted out of the sales tax holiday.

Bill as a whole responses

Officials from the **Office of the Secretary of State**, the **Joint Committee on Administrative Rules**, the **Department of Revenue**, **St. Louis County**, the **Platte County Board of Elections**, and the **St. Louis County Directors of Elections** assumed the proposal would have no fiscal impact on their organizations.

FISCAL IMPACT - State Government	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
Additional revenue - Interest from prompt deposit requirement Section 136.110	Unknown	Unknown	Unknown
Cost - DOR			
Salaries	($33,523)	($33,858)	($34,197)
Benefits	($8,629)	($8,715)	($8,802)
Equipment and expense	($26,205)	($2,440)	($2,500)
IT cost	($75,087)	$0	$0
Total cost Sections 32.069, 143.811, and 136.110	($143,444)	($45,013)	($45,499)
FTE change - DOR	1 FTE	1 FTE	1 FTE
Cost - Interest on Refunds Sections 32.069 and 143.811	(Less than $60,000)	(Less than ($60,000)	(Less than $60,000)
Cost - Department of Revenue Computer programming Section 143.801	($100,700)	$0	$0
Revenue reduction - Delayed filing and payment of withholding taxes Section 143.221	(Unknown)	(Unknown)	(Unknown)
Revenue reduction Sales tax exemption on graphing calculators Section 144.049	$0	(Less than $442,989)	(Less than $442,989)

FISCAL IMPACT - State Government (Continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
Revenue reduction			
Additional refunds			
Section 143.801	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**(Could exceed $304,144)**	**(Could exceed $548,002)**	**(Could exceed $548,488)**
Estimated Net FTE Effect on General Revenue Fund	1 FTE	1 FTE	1 FTE
SCHOOL DISTRICT TRUST FUND			
Revenue reduction			
Sales tax exemption on graphing calculators			
Section 144.049	$0	(Less than $147,663)	(Less than $147,663)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**$0**	**(Less than $147,663)**	**(Less than $147,663)**
CONSERVATION COMMISSION FUND			
Revenue reduction			
Sales tax exemption on graphing calculators			
Section 144.049	$0	(Less than $18,458)	(Less than $18,458)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**$0**	**(Less than $18,458)**	**(Less than $18,458)**

FISCAL IMPACT - State Government (Continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
PARKS, AND SOIL AND WATER FUNDS			
Revenue reduction			
Sales tax exemption on graphing calculators Section 144.049	$0	(Less than $14,766)	(Less than $14,766)
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS	**$0**	**(Less than $14,766)**	**(Less than $14,766)**

FISCAL IMPACT - Local Government	FY 2016 (10 Mo.)	FY 2017	FY 2018
LOCAL GOVERNMENTS			
Additional revenue - Counties			
Temporary property tax levy after abolition of townships Section 65.620	$0 to Unknown	$0 to Unknown	$0 to Unknown
Revenue reduction			
Sales tax exemption on graphing calculators Section 144.049	$0	(Less than $572,932)	(Less than $572,932)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	**$0 to Unknown**	**(Less than $572,932) to Unknown**	**(Less than $572,932) to Unknown**

FISCAL IMPACT - Small Business

A small business could receive a tax credit or refund which was previously unavailable due to the statute of limitations, if this proposal is implemented. Certain small businesses involved in operating Bed and Breakfast establishments could have a property tax reduction if their real estate is currently classified as commercial property,

FISCAL DESCRIPTION

This proposal would allow a taxpayer to claim a credit or refund of an income tax overpayment which was otherwise disallowed due to the statute of limitations, if the taxpayer files an amended federal return or the federal Internal Revenue Services changes the taxpayer's federal return and the changes would make the taxpayer eligible for a tax refund or tax credit. A dependency exemption would be allowed for a stillborn child, and a taxpayer would be allowed to specify direct deposit of part or all of his income tax refund to a higher education savings account.

The proposal includes provisions regarding time limits for Department of Revenue processing of refunds and deposits, and interest on unpaid refunds.

Procedures for the collection of delinquent taxes on real property would be changed.

Counties which abolish townships would be allowed to continue a property tax levy equivalent to the township levy for one year after the townships are abolished. Requirements would be created for audits of transportation development districts.

Other provisions would change the filing frequency for employee withholding tax for certain employers, specify additional considerations in the assessment of specific real and personal property, and add certain graphing calculators to the eligible purchases during the back-to-school sales tax holiday.

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 Auditor
Office of the Attorney General
Joint Committee on Administrative Rules
Office of Administration
Division of Budget and Planning
Department of Conservation
Department of Economic Development
Department of Health and Senior Services
Department of Insurance, Financial Institutions, and Professional Registration
Department of Natural Resources
Department of Revenue
Department of Transportation
State Tax Commission
Cole County
St. Louis County
City of Columbia
Kansas City School District
Platte County Board of Elections
St. Louis County Directors of Elections

Mickey Wilson

Mickey Wilson, CPA
Director

Ross Strope
Assistant Director

SS:LR:OD

May 6, 2015 May 6, 2015