

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1366-04  
Bill No.: Perfected HCS for HB Nos. 517 & 754  
Subject: Taxation and Revenue - Sales and Use  
Type: Original  
Date: April 1, 2015

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Bill Summary: This proposal would specify that mandatory gratuities imposed by a restaurant for a large group are not subject to state and local sales tax when the tip is included in the employee's reported tip income. In addition, the proposal would allow taxpayers to seek a refund after the statute of limitations has passed if their return is examined by the Department of Revenue. Finally, the proposal would allow an exemption from state withholding taxes for state employees in a specified month to be determined by the Department of Revenue.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>          |                            |                            |                            |
|--|----------------------------|----------------------------|----------------------------|
| <b>FUND AFFECTED</b>   | <b>FY 2016</b>             | <b>FY 2017</b>             | <b>FY 2018</b>             |
| General Revenue  | (Up to \$8,039,657)        | (Up to \$2,972,615)        | (Up to \$2,973,359)        |
| <b>Total Estimated<br/>Net Effect on<br/>General Revenue</b> | <b>(Up to \$8,039,657)</b> | <b>(Up to \$2,972,615)</b> | <b>(Up to \$2,973,359)</b> |

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 15 pages.

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>              |                              |                              |                              |
|---|------------------------------|------------------------------|------------------------------|
| <b>FUND AFFECTED</b>  | <b>FY 2016</b>               | <b>FY 2017</b>               | <b>FY 2018</b>               |
| School Districts  | (Less than \$100,000)        | (Less than \$100,000)        | (Less than \$100,000)        |
| Conservation Commission                                       | (Less than \$100,000)        | (Less than \$100,000)        | (Less than \$100,000)        |
| Parks, and Soil and Water                                     | (Less than \$100,000)        | (Less than \$100,000)        | (Less than \$100,000)        |
| <b>Total Estimated Net Effect on <u>Other</u> State Funds</b> | <b>(Less than \$100,000)</b> | <b>(Less than \$100,000)</b> | <b>(Less than \$100,000)</b> |

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>  | <b>FY 2016</b> | <b>FY 2017</b> | <b>FY 2018</b> |
|   |                |                |                |
|   |                |                |                |
| <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> |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                                      | <b>FY 2016</b> | <b>FY 2017</b> | <b>FY 2018</b> |
| 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 Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                              |                              |                              |
|--|------------------------------|------------------------------|------------------------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2016</b>               | <b>FY 2017</b>               | <b>FY 2018</b>               |
| <b>Local Government</b>                    | <b>(Less than \$100,000)</b> | <b>(Less than \$100,000)</b> | <b>(Less than \$100,000)</b> |

### FISCAL ANALYSIS

#### ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would exempt mandatory gratuities at restaurants from state sales tax. BAP officials noted that due to recent changes in the federal Internal Revenue Service rules regarding mandatory gratuities for federal tax purposes, most restaurants have begun moving away from charging these mandatory fees. Therefore, BAP officials assume this proposal would reduce Total State Revenue by less than \$100,000 and General Revenue by less than \$71,000 per year.

ASSUMPTION (continued)

BAP officials provided an estimate of revenue reduction by fund for this proposal as follows.

| Fund or Entity            | FY 2016  | FY 2017   | FY 2018   |
|---------------------------|----------|-----------|-----------|
| General Revenue           | \$28,000 | \$71,000  | \$71,000  |
| Conservation              | \$1,000  | \$3,000   | \$3,000   |
| Parks, and Soil and Water | \$1,000  | \$2,000   | \$2,000   |
| Education                 | \$9,000  | \$24,000  | \$24,000  |
| Total                     | \$71,000 | \$100,000 | \$100,000 |

**Oversight** has no independent information regarding the amount of mandatory service charges at restaurants, and will assume for fiscal note purposes the BAP estimate is the best available. Oversight notes the full year estimate of \$100,000 in revenues would indicate a taxable sales base of  $(\$100,000 / .04225) = \$2,366,864$ . For convenience, Oversight will round that amount to \$2.4 million and compute sales taxes on that amount as shown in the following table.

Officials from the **Department of Revenue (DOR)** assume that implementing this proposal would require one additional Tax Collection Technician (Range 10, Step L); the DOR estimate of cost to implement this proposal including the additional employee, benefits, equipment, and expense totaled \$41,204 for FY 2016, \$42,044 for FY 2017, and \$42,480 for FY 2018.

**Oversight** notes that in response to a previous version of this proposal, DOR officials assumed the proposal would have no fiscal impact on their organization.

**Oversight** also notes this proposal would change a limited number of computations on individual tax returns and would not be expected to have an impact on the number of returns filed. In addition, Oversight notes a significantly high percentage of income tax returns are prepared online, electronically, or by paid preparers. Oversight assumes there would not be a significant number of additional errors resulting from the changes in this proposal; and therefore assumes existing DOR staffing would be adequate to implement this proposal. If unanticipated additional costs are incurred or if multiple proposals are implemented that increase DOR costs or the workload for DOR employees, resources could be requested through the budget process.

ASSUMPTION (continued)

**Oversight** has no independent information regarding the amount of mandatory service charges at restaurants, and will assume for fiscal note purposes the BAP estimate is the best available. Oversight notes the full year estimate of \$100,000 in revenues would indicate a taxable sales base of  $(\$100,000 / .04225) = \$2,366,864$ . For convenience, Oversight will round that amount to \$2.4 million and compute sales taxes on that amount as shown in the following table.

|  |                | Estimated Revenue Reduction |               |
|--|----------------|-----------------------------|---------------|
| Fund   | Sales Tax Rate | Ten Months                  | Twelve Months |
| General Revenue  | 3.000%         | \$60,000                    | \$72,000      |
| School District Trust  | 1.000%         | \$20,000                    | \$24,000      |
| Conservation Commission  | 0.125%         | \$2,500                     | \$3,000       |
| Parks, and Soil and Water  | 0.100%         | \$2,000                     | \$22,400      |
| Local Governments *  | 3.880%         | \$77,600                    | \$93,100      |
| * The 3.88 percent average local government sales tax rate was calculated by Oversight based on tax collections reported by the Department of Revenue. |                |                             |               |

For fiscal note purposes, **Oversight** will indicate a revenue reduction less than \$100,000 per year for the General Revenue Fund, other state funds that receive sales tax revenues, and for local governments.

**Oversight** is aware that sales tax revenues in the School District Trust Fund are distributed, along with other revenues, to local school districts but will not include those transfers in this fiscal note.

Officials from the **Department of Conservation (MDC)** assume this proposal would have an unknown negative fiscal impact on their organization, but greater than \$100,000. MDC officials assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

ASSUMPTION (continued)

Officials from the **Department of Natural Resources (DNR)** noted the Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Therefore, any additional sales and use tax exemption would be a loss to the Parks and Soils Sales Tax Funds.

DNR officials assume assumes the Department of Revenue and Office of Administration-Budget and Planning will provide a more detailed account of the fiscal impact.

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

Amendment 1

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 Department of Revenue examines the taxpayer's return after such period of time has expired. The Department would be required to notify the taxpayer of the overpayment and the taxpayer could file a claim for a credit or refund within one year of the notice.

Officials from the **Office of Administration - Division of Budget and Planning** assumed similar language in HB 268, LR 0719-01 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 HB 268, LR 0719-01 could result in additional refunds.

Fiscal impact

Based on their review of approximately 5,100 refunds denied as out of statue by the Department in FY 2014, DOR officials estimated the proposal could result in a reduction to Total State Revenue of up to \$2.8 million. DOR officials also stated it is possible more returns could have been identified, depending on the definition of an examination.

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 Director of Revenue examines a return or causes a return to be examined, and Oversight assumes the routine processing of a return when it is filed would not be considered an examination. Oversight also notes the number and amount of claims could vary from year to year; however, the DOR estimate was based on claims in one fiscal year and Oversight assumes a similar level of claims could be expected each year. The DOR estimate of fiscal impact would appear to be the best available estimate, and for fiscal note purposes, Oversight will indicate an impact up to the DOR estimate for the General Revenue Fund.

**Oversight** also assumes the DOR estimate of fiscal impact could be expected in FY 2016 since prospective claimants would have ten months to file after the effective date of the proposed legislation.

Administrative Impact

**DOR** officials assume 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 \$107,009 for FY 2016, \$90,733 for FY 2017, and \$91,743 for FY 2018.

**Oversight** has no independently verifiable information regarding the number of tax returns or the amounts which could be involved when previously unclaimed tax credits or refunds become eligible for refund. Based on the number of denied claims reported by DOR, Oversight assumes the proposal could be implemented with two additional employees. 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.

ASSUMPTION (continued)

**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** 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.

IT impact

DOR officials also provided an estimate of the IT cost to implement this proposal of \$100,764 for 1,344 hours of contractor programming at \$75 per hour. In response to a similar proposal in the previous session (HB 1048, LR 4102-01), DOR officials estimated the cost at \$36,691 for a similar number of hours of programmer time by OA-ITSD (DOR) employees. DOR officials told us OA-ITSD had advised that staff programmers would not be available in FY 2016 to implement new legislation and contractors would be required. Oversight notes the current average cost for an OA-ITSD employee with benefits is approximately \$50 per hour, and assumes for fiscal note purposes only that an OA-ITSD employee could develop the programming required to implement this proposal at a cost of (1,344 hours x \$50 per hour) = \$67,200.

Officials from the **Department of Economic Development** deferred to the Office of Administration - Division of Budget and Planning and the Department of Revenue for an estimate of the fiscal impact of similar language in HB 268, LR 0719-01.

Officials from the **Joint Committee on Administrative Rules** assumed similar language in HB 268, LR 0719-01 would not have a fiscal impact to their organization beyond existing resources.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration** assumed similar language in HB 268, LR 0719-01 would not have a fiscal impact to their organizations.



ASSUMPTION (continued)

Amendment 2, as amended

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** provided the following response for HB 174 (LR 0681-01):

BAP officials noted the proposal would exempt "all employees of this state" from the withholding tax requirements for one month each year and assumes the phrase "all employees of this state" means "state employees".

BAP officials also noted that based on withholding receipts statewide, April, July, or October in any particular year could be the smallest month, and therefore might be the month exempted; however, BAP officials were not certain the general trend would also be the trend for "state employees".

Further, although an employee would be exempted from withholding tax for one month, their ultimate tax liability would remain the same. The overall cash impact to the employee would be neutral since the proposal would reduce the tax refund the employee would otherwise receive, or increase their tax remittance.

Similarly, the aggregate cash impact to the state would be \$0. However, if the month chosen for the exemption was April (or any of the first six calendar months), Total State Revenues would be reduced in that fiscal year, and increased by the same amount the following fiscal year as taxes are settled in the spring.

**Oversight** requested additional information from BAP, and BAP officials stated that average withholding for April over the last four years for state employees was \$5 million.

**Oversight** notes the proposal would be effective beginning January 1, 2016. If there was a \$5 million reduction in April 2016 withholding tax, it would result in a net reduction of revenue for the General Revenue Fund for FY 2016. That revenue would be recovered in FY 2017 through additional payments or reduced refunds when individual tax returns for 2016 are filed. The additional revenue in FY 2017 would be offset by a reduction in withholding in April 2017. If there was a \$5 million reduction in July 2016 or October 2016 (FY 2017) withholding tax, the additional payments or reduced refunds would still be realized in January 2017 when tax returns for 2016 are filed. In that case, there would be no net impact.

ASSUMPTION (continued)

**Oversight** will indicate a fiscal impact from \$0 (reduced withholding and additional payments or reduced refunds in the same fiscal year) or the \$5 million revenue reduction (reduced withholding in FY 2016 and reduced refunds or additional payments in FY 2017 for FY 2016 only.

**Oversight** assumes the same month would be selected each year and there would be no fiscal impact after FY 2016. If the Department of Revenue selected a different month after FY 2016, there could be a fiscal impact due to reduced withholding and tax return filing in a different fiscal year, but Oversight considers the resulting fiscal impact for that case speculative and will not include it in this fiscal note.

Officials from the **Department of Revenue (DOR)** also noted for HB 174 (LR 0681-01) should not impact Total State Revenue; however, it would delay the collection of taxes which may have an impact on cash flow for the state.

Administrative impact

DOR officials assumed Collections and Tax Assistance (CATA) would require two additional FTE Tax Collection Technicians I (Range 10, Step L) for additional contacts on the delinquent and non-delinquent tax lines. Each technician would require CARES equipment and license.

In total, the DOR response included two additional employees along with related benefits, equipment, and expense. The estimated cost amounted to \$81,729 for FY 2016, \$83,264 for FY 2017, and \$84,130 for FY 2018.

**Oversight** notes this provision would merely change the amount of withholding for approximately 55,000 state employees for one month each year, and assumes any additional activity resulting from the change could be managed with existing resources. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the budget process.

ASSUMPTION (continued)

IT impact

DOR officials assumed the Withholding Tax System would require changes to create a program to determine the lowest month withholding tax was paid by state employers. Also, changes would need to be made to mark just those state withholding accounts that are not required to file a return in a given month.

DOR officials provided an estimate of \$8,991 for 120 hours of programming to make the required changes in the Withholding Tax System.

**Oversight** assumes OA - ITSD (DOR) is provided with core funding to handle a certain amount of 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.

Officials from the **Joint Committee on Administrative Rules** assumed HB 174 LR 00681-01 would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration, Information Technology Services Division**, assumed HB 174 (LR 0681-01) would have no impact on their organization.

Bill as a whole:

Officials from the **Office of the Secretary of State (SOS)** noted that 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.

| <u>FISCAL IMPACT - State Government</u>                       | FY 2016<br>(10 Mo.)                   | FY 2017                               | FY 2018                               |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| <b>GENERAL REVENUE FUND</b>                                   |                                       |                                       |                                       |
| <u>Cost - Department of Revenue (HA 1)</u>                    |                                       |                                       |                                       |
| Salaries  | (\$39,400)                            | (\$47,280)                            | (\$47,753)                            |
| Benefits  | (\$20,096)                            | (\$24,115)                            | (\$24,356)                            |
| Equipment and expense   | (\$12,961)                            | (\$1,220)                             | (\$1,250)                             |
| IT cost   | <u>(\$67,200)</u>                     | <u>\$0</u>                            | <u>\$0</u>                            |
| <u>Total Cost</u>   | (\$139,657)                           | (\$72,615)                            | (\$73,359)                            |
| FTE change for the Department of Revenue                      | 2 FTE                                 | 2 FTE                                 | 2 FTE                                 |
| <u>Revenue reduction - DOR (HA 1)</u>                         |                                       |                                       |                                       |
| Refunds   | (Up to                                | (Up to                                | (Up to                                |
| Section 143.801   | \$2,800,000)                          | \$2,800,000)                          | \$2,800,000)                          |
| <u>Additional revenue (HA 2)</u>                              |                                       |                                       |                                       |
| Previous year withholding taxes paid                          |                                       | \$0 or                                | \$0 or                                |
| Section 143.266   | \$0                                   | \$5,000,000                           | \$5,000,000                           |
| <u>Revenue reduction (HA 2)</u>                               |                                       |                                       |                                       |
| Exemption from withholding taxes                              | \$0 or                                | \$0 or                                | \$0 or                                |
| Section 143.266   | <u>(\$5,000,000)</u>                  | <u>(\$5,000,000)</u>                  | <u>(\$5,000,000)</u>                  |
| <u>Revenue reduction</u>                                      |                                       |                                       |                                       |
| Sales tax exemption on mandatory gratuities - Section 144.020 | (Less than<br><u>\$100,000</u> )      | (Less than<br><u>\$100,000</u> )      | (Less than<br><u>\$100,000</u> )      |
| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>           | <b>(Up to<br/><u>\$8,039,657</u>)</b> | <b>(Up to<br/><u>\$2,972,615</u>)</b> | <b>(Up to<br/><u>\$2,973,359</u>)</b> |
| Estimated Net FTE Change for the General Revenue Fund         | 2 FTE                                 | 2 FTE                                 | 2 FTE                                 |

| <u>FISCAL IMPACT - State Government</u><br>(Continued)         | FY 2016<br>(10 Mo.)                     | FY 2017                                 | FY 2018                                 |
|--|---|---|---|
| <b>SCHOOL DISTRICT TRUST FUND</b>                              |   |   |   |
| <u>Revenue reduction</u>                                       |   |   |   |
| Sales tax exemption on mandatory gratuities - Section 144.020  | (Less than<br><u>\$100,000</u> )        | (Less than<br><u>\$100,000</u> )        | (Less than<br><u>\$100,000</u> )        |
| <b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>      | <b>(Less than<br/><u>\$100,000</u>)</b> | <b>(Less than<br/><u>\$100,000</u>)</b> | <b>(Less than<br/><u>\$100,000</u>)</b> |
| <b>CONSERVATION COMMISSION FUND</b>                            |   |   |   |
| <u>Revenue reduction</u>                                       |   |   |   |
| Sales tax exemption on mandatory gratuities - Section 144.020  | (Less than<br><u>\$100,000</u> )        | (Less than<br><u>\$100,000</u> )        | (Less than<br><u>\$100,000</u> )        |
| <b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>    | <b>(Less than<br/><u>\$100,000</u>)</b> | <b>(Less than<br/><u>\$100,000</u>)</b> | <b>(Less than<br/><u>\$100,000</u>)</b> |
| <b>PARKS, AND SOIL AND WATER FUNDS</b>                         |   |   |   |
| <u>Revenue reduction</u>                                       |   |   |   |
| Sales tax exemption on mandatory gratuities - Section 144.020  | (Less than<br><u>\$100,000</u> )        | (Less than<br><u>\$100,000</u> )        | (Less than<br><u>\$100,000</u> )        |
| <b>ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS</b> | <b>(Less than<br/><u>\$100,000</u>)</b> | <b>(Less than<br/><u>\$100,000</u>)</b> | <b>(Less than<br/><u>\$100,000</u>)</b> |

|   |                     |         |         |
|---|---------------------|---------|---------|
| <u>FISCAL IMPACT - Local Government</u> | FY 2016<br>(10 Mo.) | FY 2017 | FY 2018 |
|---|---------------------|---------|---------|

**LOCAL GOVERNMENTS**

Revenue reduction

|   |                                  |                                  |                                  |
|---|----------------------------------|----------------------------------|----------------------------------|
| Sales tax exemption on mandatory gratuities - Section 144.020 | (Less than<br><u>\$100,000</u> ) | (Less than<br><u>\$100,000</u> ) | (Less than<br><u>\$100,000</u> ) |
|---|----------------------------------|----------------------------------|----------------------------------|

|  |   |   |   |
|--|---|---|---|
| <b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b> | <b>(Less than<br/><u>\$100,000</u>)</b> | <b>(Less than<br/><u>\$100,000</u>)</b> | <b>(Less than<br/><u>\$100,000</u>)</b> |
|--|---|---|---|

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses which operate restaurants, and 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.

FISCAL DESCRIPTION

This proposal would specify that mandatory gratuities imposed by a restaurant for a large group are not subject to state and local sales tax when the tip is included in the employee's tip income. The proposal would also limit the calculation of state income tax withholding on tips received by an employee in the course of his or her employment to the amount of total tips reported to the employer in a written statement, and would specify that an employer cannot be obligated to pay withholding tax to the Department of Revenue for an employee's under-reported cash tip income. The proposal would determine the amount of cash tips that are taxable based on the federal Internal Revenue Code.

This proposal would also allow an exemption from state withholding taxes for state employees in a specified month to be determined by the Department of Revenue.

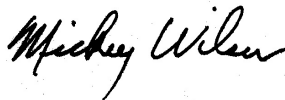
FISCAL DESCRIPTION (continued)

This proposal would also allow a taxpayer to claim a credit or refund of an income tax overpayment when the Director of the Department of Revenue examines the taxpayer's return after the period of limitations expires and the examination reveals that the taxpayer would have been eligible for a credit or refund if the examination had been timely. The Director of the Department of Revenue would be required to notify the taxpayer of any overpayment discovered and the taxpayer would be allowed to file a claim for the credit or refund within one year of the notice.

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  
Joint Committee on Administrative Rules  
Department of Conservation  
Department of Economic Development  
Department of Insurance, Financial Institutions, and  
Professional Registration  
Office of Administration  
Division of Budget and Planning  
Information Technology Services Division  
Department of Revenue



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April 1, 2015

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