

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1366-06
Bill No.: SS for SCS for HCS for HB Nos. 517 & 754 with SA1, SA2, SA3, SA4, and SA5
Subject: Taxation and Revenue - Sales and Use
Type: Original
Date: April 29, 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 \$571,728)	(Could exceed \$778,002)	(Could exceed \$778,488)
Total Estimated Net Effect on General Revenue	(Could exceed \$571,728)	(Could exceed \$778,002)	(Could exceed \$778,488)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 26 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
School Districts	(Could exceed \$100,000)	(Could exceed \$247,663)	(Could exceed \$247,663)
Conservation Commission	(Less than \$200,000)	(Less than \$218,458)	(Less than \$218,458)
Parks, and Soil and Water	(Less than \$200,000)	(Less than \$214,766)	(Less than \$214,766)
Total Estimated Net Effect on <u>Other</u> State Funds	(Less than \$500,000)	(Less than \$680,887)	(Less than \$680,887)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> 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	(Less than \$200,000) to Unknown	(Less than \$772,932) to Unknown	(Less than \$772,932) to Unknown

FISCAL ANALYSIS

ASSUMPTION

Section 143.191 Withholding Tax on Gratuities

Changes to this provision would limit the amount of withholding tax required on gratuities, and would limit the employer's liability related to that withholding.

Oversight assumes this provision would have no impact to the state or local governments.

ASSUMPTION (continued)

Section 144.020, RSMo. - Sales Tax on Gratuities:

Officials from the **Department of Revenue (DOR)** assumed that implementing a previous version of 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 this proposal would likely 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

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.

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

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

ASSUMPTION (continued)

In response to a previous version of this proposal, 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.

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 return or if the federal Internal Revenue Service changes the taxpayer's return. 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 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.

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.

ASSUMPTION (continued)

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.

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 **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)

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 0881-02) 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 $(98,442 \times \$150) = \$14,766,300$ 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.

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	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.		

ASSUMPTION (continued)

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.

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.

ASSUMPTION (continued)

Section 144.080, RSMo. - Advertising Sales Tax Absorbed by Seller:

Changes to this provision would remove the current prohibition on advertising that the sales tax will be absorbed by the seller.

Officials from the **Joint Committee on Administrative Rules**, the **Office of Administration - Division of Budget and Planning**, and the **Department of Revenue** assume this proposal would have no fiscal impact on their organizations.

Oversight assumes this provision would have no impact on the state or on local governments.

Amendments

Senate Amendment 1

Section 94.579, RSMo. - Public Safety Sales Tax:

Changes to this provision would modify the required ballot language for the public safety sales tax in Springfield.

Officials from the **Office of the State Treasurer**, the **Department of Revenue**, the **Office of the Secretary of State** and the **State Tax Commission** assumed there would be no fiscal impact to their organizations if similar language in SB 421 LR 2039-01 was implemented.

Officials from the **City of Springfield** did not respond to our request for information.

Oversight assumes this provision would have no direct fiscal impact on the state or on local political subdivisions.

ASSUMPTION (continued)

Senate Amendment 2

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.

Oversight assumes the additional interest cost would be less than the DOR estimate of \$60,000. 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.

ASSUMPTION (continued)

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 143.605, 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.

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.

ASSUMPTION (continued)

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.

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.

ASSUMPTION (continued)

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.

Senate Amendment 3

Section 144.030, RSMo. - Sales Tax Exemption for Sales of Aircraft to Out-of-state Entities:

Changes to this provision would create a sales tax exemption for aircraft sold to nonresidents or to corporations not incorporated in Missouri.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed similar language in HB 1306 LR 2681-01 would reduce Total State Revenue (TSR), as well as impacting the calculation required under Article X, Section 18(e) of the state constitution.

BAP officials noted the proposal would create a new sales and use tax exemption for sales of aircraft to non-state residents.

BAP officials stated that the following amounts of taxable sales were reported by DOR for 2014.

Industry Code:	Amount in \$millions
558 AIRCRAFT DEALERS	<u>\$140.9</u>

BAP officials stated they were unable to determine how much of these sales may have been for qualifying aircraft or parts, or if there are other aircraft-related sales that may be coded to other SIC codes. Therefore, BAP officials estimated this proposal would reduce TSR by less than \$6.0 million and General Revenue by less than \$4.2 million beginning in FY 2017. For FY 2016, this proposal would be expected to reduce TSR by less than \$5.0 million and General Revenue by less than \$3.5 million.

ASSUMPTION (continued)

Oversight assumes the sales tax reduction on the \$140.9 million in sales reported by DOR would be calculated as shown below.

<u>Fund or entity</u>	<u>Sales Tax Rate</u>	<u>Revenue Reduction</u>	
		<u>Ten months</u>	<u>Full year</u>
General Revenue	3.000%	\$3,522,500	\$4,227,000
School District Trust	1.000%	\$1,174,167	\$1,409,000
Conservation Commission	0.125%	\$146,771	\$176,125
Parks, and Soil and Water	0.100%	\$117,417	\$140,900
Local Governments *	3.880%	\$4,555,767	\$5,466,920

* The 3.88% average rate for local governments was computed by Oversight based on collections reported by the Department of Revenue.

Oversight notes this proposal would create a new sales and use tax exemption for the sale of aircraft to non residents, and assumes the exemption would be effective in August, 2015 (FY 2016), and would continue to have an impact in FY 2017 and FY 2018. Oversight has no information as to the number or amounts of aircraft sales to nonresidents which might be included in the reported sales of aircraft dealers reported above, or which might be included in other industry categories.

Oversight notes this proposal would create a new sales and use tax exemption for the sale of aircraft to non residents, and assumes the exemption would be effective in August, 2015 (FY 2016), and would continue to have an impact in FY 2017 and FY 2018. Oversight has no information as to the number or amounts of aircraft sales to nonresidents which might be included in the reported sales of aircraft dealers reported above, or which might be included in other industry categories.

For fiscal note purposes, **Oversight** will assume this proposal would result in a revenue reduction greater than \$100,000 per year for the General Revenue Fund, School District Trust Fund, and local governments; and the Conservation Commission Fund and the Parks, and Soil and Water Fund would have a revenue reduction less than \$100,000 per year.

ASSUMPTION (continued)

Oversight also notes the revenue reduction for the School District Trust Fund would result in reduced transfers 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 to their organization, but greater than \$100,000. 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)** deferred to the Department of Revenue and Office of Administration - Division of Budget and Planning for a more detailed account of the fiscal impact.

For fiscal note purposes, **Oversight** will assume this proposal would result in a revenue reduction greater than \$100,000 per year for the General Revenue Fund, School District Trust Fund, and local governments; and the Conservation Commission Fund and the Parks, and Soil and Water Fund would have a revenue reduction less than \$100,000 per year.

Oversight also notes the revenue reduction for the School District Trust Fund would result in reduced transfers to local school districts but will not include those transfers in this fiscal note. Officials from the **Joint Committee on Administrative Rules** and the **Department of Revenue** assume this proposal would not have an impact to their organization in excess of current resources.

Officials from **St. Louis County** assume this proposal would have no fiscal impact on their organization.

Officials from the **City of Kansas City** assume this proposal would cause some revenue reduction to their organization but stated they did not have the data needed to estimate the impact.

ASSUMPTION (continued)

Senate Amendment 4

Section 143.161, RSMo. - Dependency Exemption for Stillborn:

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 ($414 \times \$1,200 \times 6\%$) = \$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 2245-01 would, 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)

Senate Amendment 5

Section 65.620, RSMo. - Township Property Tax after Abolition of Townships:

Changes to this provisions would allow counties in which townships have been abolished to continue to collect a property tax for road and bridge purposes for a specified period of time.

Officials from the **Office of the State Auditor**, the **State Tax Commission**, **St. Louis County**, and the **Platte County Board of Election Commissioners** assumed there would be no fiscal impact to their organizations from similar language in SCS for SB 245 LR 00780-02.

Oversight did not receive sufficient fiscal impact responses from counties with townships to make a determination on the impact of property tax revenue from this proposal. Under current law, once a township is abolished, property taxes are not collected for the abolished township. Under this proposal, property taxes would continue to be collected for a period of one calendar year following the abolishment of the township or until the voters of the county have approved a tax levy for road and bridge purposes, whichever occurs first. Therefore, Oversight will reflect a \$0 to unknown impact to counties in the fiscal note.

In response to a previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** stated 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 SOS 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 **Joint Committee on Administrative Rules** assumed a previous version of this proposal would not have a fiscal impact to their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Revenue reduction - DOR</u>			
Refunds			
Section 143.801	(Unknown)	(Unknown)	(Unknown)
<u>Cost - DOR</u>			
IT cost			
IT cost	(\$100,700)	\$0	\$0
<u>Revenue reduction</u>			
Sales tax exemption on mandatory gratuities - Section 144.020			
	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
<u>Revenue reduction</u>			
Sales tax exemption on graphing calculators			
Section 144.049	\$0	(Up to \$442,989)	(Up to \$442,989)
<u>Cost - DOR</u>			
IT cost			
Section 143.161	(\$37,584)	\$0	\$0
<u>Revenue reduction</u>			
Dependency exemption for stillborn child			
Section 143.161	(\$30,000)	(\$30,000)	(\$30,000)
<u>Revenue reduction</u>			
Sales Tax exemption			
Section 144.030	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
<u>Additional revenue</u> - Interest from prompt deposit requirement Section 136.110	Unknown	Unknown	Unknown
<u>Cost - DOR</u>			
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	<u>(\$75,087)</u>	<u>\$0</u>	<u>\$0</u>
Total DOR cost Section 143.811	(\$143,444)	(\$45,013)	(\$45,499)
FTE change - DOR	1 FTE	1 FTE	1 FTE
 <u>Cost - Interest on Refunds</u> Section 143.811	 (Less than <u>\$60,000</u>)	 (Less than <u>\$60,000</u>)	 (Less than <u>\$60,000</u>)
 ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	 (Could exceed <u>\$571,728</u>)	 (Could exceed <u>\$778,002</u>)	 (Could exceed <u>\$778,488</u>)
 Estimated Net FTE Effect on General Revenue Fund	 1 FTE	 1 FTE	 1 FTE

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction</u>			
Sales tax exemption on mandatory gratuities - Section 144.020	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
<u>Revenue reduction</u>			
Sales tax exemption on graphing calculators Section 144.049	\$0	(Up to \$147,663)	(Up to \$147,663)
<u>Revenue reduction</u>			
Sales Tax exemption Section 144.030	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$247,663</u>)	(Could exceed <u>\$247,663</u>)

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
CONSERVATION COMMISSION FUND			
<u>Revenue reduction</u>			
Sales tax exemption on mandatory gratuities - Section 144.020	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
<u>Revenue reduction</u>			
Sales tax exemption on graphing calculators Section 144.049	\$0	(Up to \$18,458)	(Up to \$18,458)
<u>Revenue reduction</u>			
Sales Tax exemption Section 144.030	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	(Less than <u>\$200,000</u>)	(Less than <u>\$218,458</u>)	(Less than <u>\$218,458</u>)

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
PARKS, AND SOIL AND WATER FUNDS			
<u>Revenue reduction</u>			
Sales tax exemption on mandatory gratuities - Section 144.020	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
<u>Revenue reduction</u>			
Sales tax exemption on graphing calculators Section 144.049	\$0	(Up to \$14,766)	(Up to \$14,766)
<u>Revenue reduction</u>			
Sales Tax exemption Section 144.030	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS	(Less than <u>\$200,000</u>)	(Less than <u>\$214,766</u>)	(Less than <u>\$214,766</u>)

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

<u>Additional revenues</u> - Counties property tax revenues from abolished townships - Section 65.620	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Revenue reduction</u> Sales tax exemption on mandatory gratuities - Section 144.020	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
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<u>Revenue reduction</u> Sales tax exemption on graphing calculators Section 144.049	\$0	(Up to \$572,932)	(Up to \$572,932)
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<u>Revenue reduction</u> Sales Tax exemption Section 144.030	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	(Less than \$200,000) to <u>Unknown</u>	(Less than \$772,932) to <u>Unknown</u>	(Less than \$772,932) to <u>Unknown</u>
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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.

FISCAL DESCRIPTION

This proposal, as amended, would make changes to existing provisions regarding the Department of Revenue and taxation.

Mandatory gratuities imposed by a restaurant for a large group would not be subject to state and local sales tax when the tip is included in the employee's tip income.

The calculation of state income tax withholding on tips received by an employee in the course of his or her employment would be limited to the amount of total tips reported to the employer in a written statement, and an employer could not be obligated to pay withholding tax to the Department of Revenue for an employee's under-reported cash tip income. The amount of cash tips that are taxable would be based on federal Internal Revenue Code provisions.

A taxpayer would be allowed to claim a credit or refund of an income tax overpayment when the taxpayer files an amended return or the federal Internal Service changes the taxpayer's return. 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.

Certain graphing calculators would be added to the merchandise subject to a sales tax exemption during the Back-to-School Sales Tax Holiday.

A seller would be permitted to advertise that sales tax would be absorbed on merchandise sold.

The required ballot language for the City of Springfield Public Safety Sales Tax would be modified.

The Department of Revenue would be required to pay interest on refunds not paid after 45 days, and would be required to process all receipts within two days.

Sales of aircraft to nonresidents and foreign corporations would be exempted from sales tax.

A dependency would be allowed for a stillborn child in the year it was stillborn.

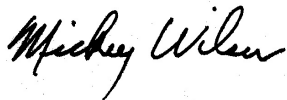
The equivalent of the township levy would be allowed to counties for one year after townships were abolished.

FISCAL DESCRIPTION (continued)

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
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
State Tax Commission
Cole County
St. Louis County
City of Columbia
City of Kansas City
Platte County Board of Election Commissioners



Mickey Wilson, CPA
Director
April 29, 2015

Ross Strope
Assistant Director
April 29, 2015