

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1887-05
Bill No.: Truly Agreed To and Finally Passed SS for SB 366
Subject: Education, Higher; Treasurer, State
Type: Original
Date: May 28, 2015

Bill Summary: This proposal modifies provisions of the Missouri Higher Education Savings Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$75,168)	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$75,168)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 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
Total Estimated Net Effect on FTE	0	0	0

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	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§166.421 Personal Tax Refunds

Officials from the **Office of Administration-Division of Budget and Planning (BAP)** assume there is no fiscal impact from this proposal.

Officials from the **Department of Revenue (DOR)** assume this proposal would allow all or part of an income tax 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, and the taxpayer would be required to use a form prescribed by the Department and file the form with the taxpayer's tax return.

DOR officials assume that implementing this proposal would require their organization to make form changes and would require programming changes to their systems.

Administrative Impact

DOR officials assume Personal Tax would require two additional Temporary Tax Employees to key the MOST trust fund account information and two additional Revenue Processing Technicians I for correspondence and error correction. In addition, Collections and Tax Assistance (CATA) would have additional customer contacts about the direct deposit option and notice of adjustments. CATA would require one additional Tax Collection Technician for every additional 15,000 contacts annually on the non-delinquent tax line. The technician would require CARES equipment and license.

The DOR response including three additional employees and the associated benefits, equipment, and expense totaling \$136,146 for FY 2016, \$142,201 for FY 2017, and \$143,672 for FY 2018.

Oversight does not have information as to the number of participants in DOR 2014 tax refund checkoff programs, but notes the highest number of participants in an individual program in FY 2013 was 3,597. Oversight assumes the DOR form would require the MOST account information, and expects that a substantial percentage of returns with this designation would be filed electronically. Oversight assumes a limited number of transactions requiring key entry could be processed by existing employees; however, if implementing the proposal results in unanticipated additional work for DOR or if multiple proposals are enacted resources could be requested through the budget process.

ASSUMPTION (continued)

IT impact

DOR officials provided an estimate of the IT cost to implement the proposal of \$75,168 based on 1,002 hours of programming to make changes to DOR systems.

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

Oversight notes this proposal would allow tax return filers to redirect a portion or all of their income tax refund to a MOST account. The proposal would not change the amount of tax nor the refund due; therefore, Oversight assumes the proposal would have no direct fiscal impact to the state.

Officials from the **Office of the State Treasurer** and the **Department of Higher Education** each assumed this proposal would have no impact on their organizations.

§166.435 Higher Education Savings Program

Officials at the **Department of Economic Development, Department of Higher Education, Department of Revenue, Office of Administration** and the **Office of State Treasurer** each assume there is no fiscal impact to their respective agency from this proposal.

Oversight notes that repeal and enactment of Section 166.435 would become effective only upon notification by the State Treasurer to the Revisor of Statutes of the passage of H.R. 529 of the 114th United State Congress.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Costs - Department of Revenue</u>			
IT cost	<u>(\$75,168)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON			
GENERAL REVENUE			
	<u>(\$75,168)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

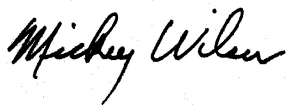
The act exempts from state income taxation refunds of qualified higher education expenses received by beneficiaries in connection with withdrawal from an eligible education institution when the refund is contributed to a qualified tuition savings program within 60 days of withdrawal.

Furthermore, the act permits participants in the MOST program to elect to contribute all or part of their income tax refund to his or her MOST account via direct deposit. Such election must be made on a form provided by the Department of Revenue and may not be revoked.

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

Department of Economic Development
Department of Higher Education
Department of Revenue
Office of Administration
 Division of Budget and Planning
Office of the State Treasurer



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