

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2014-02
Bill No.: SB 420
Subject: Taxation and Revenue - Income; Revenue, Department Of; Education, Higher
Type: Original
Date: March 18, 2015

Bill Summary: This proposal would allow a taxpayer to redirect the taxpayer's refund to a MOST account.

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

Oversight was unable to receive agency responses in a timely manner due to the short fiscal note request time. Oversight has prepared this fiscal note with the best current information that we have, or with prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will prepare an updated fiscal note and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Officials from the **Office of Administration-Division of Budget and Planning (BAP)** noted this proposal would allow taxpayers to contribute all or part of their personal income tax refunds to MOST accounts and assume it would not have a fiscal impact to their organization.

BAP officials assume there would be no direct impact to general and Total State Revenues from this proposal; to the extent taxpayers increase their contributions to the MOST Program, additional tax deductions may occur which could indirectly reduce revenues.

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 fiscal impact to the state.

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.

ASSUMPTION (continued)

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 (Range 10, Step L) 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 (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.

The DOR response including three additional employees and the associated benefits, equipment, and expense totaled \$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.

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.

Officials from the **Office of the Secretary of State**, the **Office of the State Treasurer**, the **Joint Committee on Administrative Rules**, and the **Department of Higher Education** each assume this proposal would have no impact on their organizations.

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

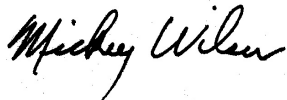
FISCAL DESCRIPTION

The proposed legislation would allow a taxpayer to redirect part or all of their tax refund to a MOST account.

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 Treasurer
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Higher Education
Department of Revenue



Mickey Wilson, CPA
Director
March 18, 2015

Ross Strobe
Assistant Director
March 18, 2015