

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2277-01
Bill No.: SB 484
Subject: Charities; Emergencies; Taxation and Revenue - Income
Type: Original
Date: April 1, 2015

Bill Summary: This proposal would allow a taxpayer to deduct the full amount of costs associated with a search and rescue operation.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|------------------------------|------------------------------|------------------------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| General Revenue | (Less than \$137,584) | (Less than \$100,000) | (Less than \$100,000) |
| Total Estimated Net Effect on General Revenue | (Less than \$137,584) | (Less than \$100,000) | (Less than \$100,000) |

| 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

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** stated this proposal would allow individuals to deduct the cost of search and rescue equipment and mileage from their individual income tax beginning in Tax Year 2015. Deductions of these items are currently allowed as charitable donations on the federal form; therefore, the deduction authorized by this bill would only cover any amount above allowable federal deductions. Further, the proposed deduction would only apply to individuals who choose to itemize their deductions rather than taking the standard deduction. Therefore, BAP officials estimated this proposal will reduce Total State Revenues and General Revenue by less than \$100,000 per year.

Oversight will use the BAP estimate of fiscal impact in this fiscal note.

Officials from the **Department of Revenue (DOR)** stated this proposal would provide a deduction of the costs associated with search and rescue equipment and for any mileage of a motor vehicle used in a search and rescue operation. DOR officials assume the proposal would have a negative impact to Total State Revenue of less than \$100,000.

Administrative impact

DOR officials assume the Department would require programming and form changes. In addition, Personal Tax would require two additional Temporary Tax Employees to key the MO-A subtraction and two additional Revenue Processing Technicians I (Range 10, Step L) for error correction and correspondence, Collections and Tax Assistance CATA would have additional customer contact from the deductions and notice of adjustment forms that create billings and would require two additional 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.

The DOR estimate of cost to implement this proposal including four additional employees and related benefits, equipment, and expense, totaled \$184,245 for FY 2016, \$192,601 for FY 2017, and \$194,595 for FY 2018.

ASSUMPTION (continued)

Oversight notes the proposal would provide a deduction from federal taxable income in the calculation of Missouri taxable income "to the extent such costs are not otherwise deductible as charitable donations due to adjusted gross income limits". Oversight considers this a relatively strict limitation on the proposed deduction and therefore assumes this proposal would change a limited number of computations on individual income tax returns and assumes the proposal would not have an impact on the number of returns filed. Oversight notes a high percentage of income tax returns are prepared online, electronically, or by paid preparers, and assumes there would not be a significant number of additional errors resulting from the changes in this proposal.

Oversight 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.

IT impact

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

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

Officials from the **Department of Public Safety (DPS)** assume this proposal would have no fiscal impact on their organization; in addition, DPS officials stated they do not track the number of such operations because it is a part of their regular program activities.

Officials from the **Office of the Secretary of State** and the **Joint Committee on Administrative Rules** 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 - Department of Revenue</u> | | | |
| IT cost | (\$37,584) | \$0 | \$0 |
| <u>Revenue reduction -</u> | (Less than | (Less than | (Less than |
| Deduction for Search and Rescue costs | <u>\$100,000)</u> | <u>\$100,000)</u> | <u>\$100,000)</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | (Less than <u>\$137,584)</u> | (Less than <u>\$100,000)</u> | (Less than <u>\$100,000)</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.

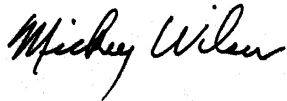
FISCAL DESCRIPTION

The proposed legislation would taxpayers to deduct the full amounts of costs of search and rescue operations from Missouri taxable income.

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
Office of Administration
 Division of Budget and Planning
Department of Public Safety
Department of Revenue



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Director
April 1, 2015

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April 1, 2015