

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0427-02  
Bill No.: SB 183  
Subject: Taxation and Revenue - Income; Taxation and Revenue - General; Tax Incentives; Fees  
Type: Original  
Date: February 14, 2017

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Bill Summary: This proposal would extend the Big Government Get Off My Back Act and modify several provisions relating to the collection of money by public entities.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 9 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</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 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</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 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Although they did not respond to our request for information, officials from the **Office of Administration - Division of Budget and Planning (BAP)** noted a similar proposal in the previous session would renew the expired provisions of the Big Government Get Off My Back Act for an additional five years. BAP officials assumed Total State Revenue and the calculation required under Section 18(e) of the Missouri Constitution would be impacted, as the existing language expired on August 28, 2014.

### User Fees

BAP officials noted the proposal would re-enact the ban on user fee increases imposed by the state over the life of the program; exclusions would be provided to implement federal and General Assembly approved programs. BAP officials also noted this provision could reduce Total State Revenue and revenue growth to the extent an agency intended to increase any of these fees.

**Oversight** considers the loss of potential fee increases to be prospective and will not include an impact in this fiscal note for those potential losses.

### Tax Deduction for Job Creation

BAP officials also noted the proposal would extend, for five additional years, a tax deduction for any business with less than 50 employees that creates a qualifying job paying wages above the county average. The new employee would be required to work an average of 35 hours per week for 52 weeks. The deduction would range from \$10,000 to \$20,000, depending on whether the employer provides health insurance coverage. BAP officials assume the Department of Revenue would provide the amounts claimed for this deduction over the past five years, which could be an indicator for the amount Total State Revenue could be reduced over the next five years, and noted the Section 18(e) calculation would be reduced by the amount that is claimed in the first full year after the proposal is implemented.

BAP officials assumed the proposal could encourage economic growth which could impact Total State Revenue.

ASSUMPTION (continued)

**Oversight** considers potential economic growth to be prospective and will not include an impact in this fiscal note for potential revenue increases.

Officials from the **Department of Revenue (DOR)** assume this proposal would freeze user fees for an additional five years unless implemented by a federal program. The proposal would also extend the deductions allowed for creation of new jobs by a small business, and would modify the definition of "small business" to include those with less than one hundred employees.

Section 143.173, RSMo.

This section would allow a \$10,000 or \$20,000 deduction for each new job created by a small business. The proposal would include businesses with fewer than one hundred employees rather than the current fifty employee limit, increasing the number of taxpayers eligible for the deduction.

**DOR** officials stated that for 2014, 105 Missouri individual income taxpayers filed returns claiming the new jobs deduction in the amount \$1,532,416. Based on a top tax rate of six percent, DOR officials estimated a reduction of \$91,950 to Total State Revenue. In addition, 10 Missouri corporate filers claimed the new jobs deduction in the amount \$450,000. Based on a tax rate of six and one quarter percent, DOR officials estimated a reduction of \$28,125 to Total State Revenue.

DOR officials also noted the expansion to businesses with up to 100 employees could increase the negative impact on Total State Revenue.

**Oversight** will include in this fiscal note an estimated fiscal impact greater than \$100,000 per year to the General Revenue Fund for the new jobs creation deduction.

Administrative Impact

DOR officials noted the Department would require forms and programming changes to reauthorize this deduction.

ASSUMPTION (continued)

**Oversight** notes the DOR response did not include an estimate of the cost to implement this proposal and assumes the proposal could be implemented with existing resources. If unanticipated costs are incurred or if multiple proposals are implemented which increase the DOR workload or other costs, resources could be requested through the budget process.

Officials from the **Department of Transportation** assume this proposal would lead to a potential unknown negative impact since it would prohibit fee increases through 2022.

**Oversight** considers the loss of potential fee increases to be prospective and will not include an impact in this fiscal note for those potential losses.

Officials from the **Department of Health and Senior Services (DHSS)** stated that prohibiting agencies from increasing fees could lead to increased costs to the General Revenue Fund. For instance, if the cost for newborn screening tests and follow-up increases beyond the amount the current fee will support, then DHSS would have to request General Revenue funding in order to ensure these vital services continue.

**Oversight** considers the loss of potential fee increases to be prospective and will not include an impact in this fiscal note for those potential losses.

According to officials from the **Office of the Secretary of State (SOS)**, 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** stated this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

ASSUMPTION (continued)

Officials from the **Office of the Lieutenant Governor** assume this proposal would have little to no fiscal impact on their organization.

Officials from the **Office of the Attorney General** assume that any potential costs arising from this proposal could be absorbed with existing resources.

Officials from the **Office of State Courts Administrator, the Office of the Governor, the Office of the State Auditor, the Office of the State Treasurer, the Missouri Senate, the Missouri House of Representatives, the Missouri Department of Agriculture, the Office of Administration - Administrative Hearing Commission, Division of Accounting, Division of Purchasing, and Information Technology Services Division, the Department of Conservation, the Department of Corrections, the Department of Higher Education, the Department of Insurance, Financial Institution, and Professional Registration, the Department of Labor and Industrial Relations, the Department of Mental Health, the Department of Natural Resources, the Department of Public Safety, Office of the Director, Capitol Police, Division of Alcohol and Tobacco Control, Division of Fire Safety, Missouri State Highway Patrol, Missouri Veterans Commission, State Emergency Management Agency, the Department of Social Service - Division of Legal Services, the State Tax Commission, the Missouri Gaming Commission, the Missouri Lottery Commission, the Missouri Ethics Commission, the Missouri Office of Prosecution Services, the Missouri State Public Defender, the Missouri State Employees Retirement System, the Missouri Consolidated Health Care Plan, and the MoDOT and Patrol Employees Retirement System** assume this proposal would have no fiscal impact on their organizations.

	FY 2018	FY 2019	FY 2020
<u>FISCAL IMPACT - State Government</u>	(10 Mo.)		
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction</u> - New Jobs Creation Tax Credit Program reauthorized.	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>(More than <u>\$100,000</u>)</b>	<b>(More than <u>\$100,000</u>)</b>	<b>(More than <u>\$100,000</u>)</b>

	FY 2018	FY 2019	FY 2020
<u>FISCAL IMPACT - Local Government</u>	(10 Mo.)		
	<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 extend the Big Government Get Off My Back Act and modify several provisions relating to the collection of money by public entities.

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 State Courts Administrator  
Office of the Governor  
Office of the Lieutenant Governor  
Office of the Secretary of State  
Office of the State Auditor  
Office of the Attorney General  
Office of the State Treasurer  
Joint Committee on Administrative Rules  
Missouri Senate  
Missouri House of Representatives  
Missouri Department of Agriculture  
Office of Administration  
    Administrative Hearing Commission  
    Division of Accounting  
    Division of Purchasing  
    Information Technology Services Division

SOURCES OF INFORMATION (continued)

Department of Conservation  
Department of Corrections  
Department of Health and Senior Services  
Department of Higher Education  
Department of Insurance, Financial Institution, and Professional Registration  
Department of Labor and Industrial Relations  
Department of Mental Health  
Department of Natural Resources  
Department of Public Safety  
    Office of the Director  
    Capitol Police  
    Division of Alcohol and Tobacco Control  
    Division of Fire Safety  
    Missouri State Highway Patrol  
    Missouri Veterans Commission  
    State Emergency Management Agency  
Department of Revenue  
Department of Social Service  
    Division of Legal Services  
Department of Transportation  
State Tax Commission

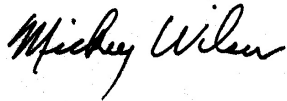


SOURCES OF INFORMATION (continued)

Missouri Gaming Commission  
Missouri Lottery Commission  
Missouri Ethics Commission  
Missouri Office of Prosecution Services  
Missouri State Public Defender  
Missouri Employees Retirement System  
Missouri Consolidated Health Care Plan  
MoDOT and Patrol Employees Retirement System  
Forsyth R-III School District

**Not responding**

Office of Administration  
Division of Budget and Planning



Mickey Wilson, CPA  
Director  
February 14, 2017

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