

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0427-03
Bill No.: SCS for SB 183
Subject: Taxation and Revenue - Income; Taxation and Revenue - General; Tax Incentives; Fees
Type: Original
Date: March 7, 2017

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

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

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

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (B&P)** noted this proposal would renew the expired Big Government Get Off My Back Act provisions for an additional five years beginning on August 28, 2017; the existing language expired August 28, 2014.

The first provision would prohibit increasing state user fees over this period unless part of federal and General Assembly program implementation. B&P officials assume this could reduce Total State Revenues (TSR) and General 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.

B&P notes that the second provision would require state agencies to certify any rule (other than those implemented resulting from a federal or General Assembly program) will not adversely impact small businesses with fewer than 25 full or part-time employees. An exception from these criteria would be rules regarding government programs utilizing private contractors that net Missouri taxpayer savings or if the program protects the life, health, or public safety.

The third provision would extend an expired tax deduction for five additional years for small businesses with less than 25 employees that create qualifying jobs paying wages above the county average. The new employee must work an average of 35 hours per week for 52 weeks. The deduction ranges from \$10,000-\$20,000, depending on the inclusion of employer-funded health insurance. In 2014, the Department of Revenue noted this deduction reduced state revenues around \$120,000. B&P officials noted in 2014, businesses with fewer than 50 employees could use the deduction while the proposed language would limit the deduction to businesses with 25 or fewer employees.

B&P officials stated that any claimed amounts could impact the constitutional revenue limit calculation and TSR.

B&P officials also noted this proposal may encourage other economic activity, but B&P cannot estimate such an amount. Also, this proposal does not preclude a taxpayer concurrently using other state tax credit programs.

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 deduction for creation of new jobs by a small business, and would modify the definition of "small business" to include those with less than twenty-five 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 twenty-five employees rather than the current fifty employee limit, reducing 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 that limiting the deduction to businesses with less than twenty-five employees could reduce the negative impact on Total State Revenue.

Oversight assumes the reduction in size of eligible small businesses (from fewer than 50 to fewer than 25) would reduce participation in the job creation tax deduction program and will include in this fiscal note an estimated impact less 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.

In response to a previous version of this proposal, 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.

Officials from the **Department of Public Safety - Division of Fire Safety** stated the proposal could have a negative impact on their organization since their organization was planning to implement fee increases.

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.

ASSUMPTION (continued)

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.

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 Lieutenant Governor**, the **Office of the State Auditor**, the **Missouri Senate**, the **Missouri House of Representatives**, 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 Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Labor and Industrial Relations**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Public Safety**, **Capitol Police**, **Division of Alcohol and Tobacco Control**, **Division of Fire Safety**, **Missouri State Highway Patrol**, **Missouri Veterans Commission**, the **Department of Social Service - Division of Legal Services**, **Family Services Division**, and **Division of Finance and Administrative Services**, 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.

ASSUMPTION (continued)

Officials from the **Office of the State Treasurer**, the **Missouri State Employees Retirement System**, the **State Tax Commission**, the **Missouri Department of Agriculture**, the **Department of Insurance, Financial Institution, and Professional Registration**, and the **Department of Public Safety, Office of the Director and State Emergency Management Agency** assumed a previous version of this proposal would have no fiscal impact on their organizations.

	FY 2018	FY 2019	FY 2020
<u>FISCAL IMPACT - State Government</u>	(10 Mo.)		

GENERAL REVENUE FUND

<u>Revenue reduction - New Jobs Creation Tax Credit Program reauthorized.</u>	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
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	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.

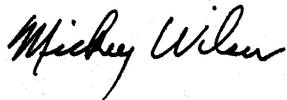
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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 Budget and Planning
 Division of Accounting
 Division of Purchasing
 Information Technology Services Division
Department of Conservation
Department of Corrections
Department of Elementary and Secondary Education
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

SOURCES OF INFORMATION (continued)

Department of Revenue
Department of Social Service
 Division of Legal Services
Department of Transportation
State Tax Commission
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



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March 7, 2017

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March 7, 2017