COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4405-08
Bill No.: Corrected SB 611
Subject: Taxation and Revenue - Income, Taxation and Revenue - General, Taxation and Revenue - Sales and Use, Tax Credits, Motor Fuel, Cities, Towns, and Villages, Political Subdivisions, Counties
Type: Original
Date: January 12, 2018

Bill Summary: This proposal modifies several provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (beyond FY 2038)
General Revenue	($216,800,000) to ($529,113,000)	($620,000,000) to ($755,425,000)	($704,658,764) to ($720,570,764)	($612,858,764) to ($617,070,764)
Total Estimated Net Effect on General Revenue	**($216,800,000) to ($529,113,000)**	**($620,000,000) to ($755,425,000)**	**($704,658,764) to ($720,570,746)**	**($612,858,764) to ($617,070,764)**

Note: **The fiscal note does not reflect the possibility that some of the tax credits could be or have been utilized by insurance companies against insurance premium taxes. If this occurs, the loss/increase in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.**

*Section 143.011 makes changes to the individual income tax brackets, dependent on increased General Revenue receipts. This proposal could be fully implemented as early as FY 2038.

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 49 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (Beyond FY 2038)
Parks, Soil & Water	$0	$100,000	$200,000	$200,000
Conservation Commission	$0	$100,000	$300,000	$300,000
School District Trust	$0	$1,200,000	$2,400,000	$2,400,000
State Road Fund	$15,177,273	$61,009,765	$122,019,532	$122,019,532
Mo Senior Services Protection Fund	$0	$40,000,000	$40,000,000	$40,000,000
Capitol Complex Fund	$0	Up to $20,000,000	Up to $20,000,000	Up to $20,000,000
Total Estimated Net Effect on Other State Funds	**$15,177,273**	**Up to $122,409,765**	**Up to $184,919,532**	**Up to $184,919,532**

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (beyond FY 2038)
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (beyond FY 2038)
Total Estimated Net Effect on FTE	**0**	**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 2019	FY 2020	FY 2021	Fully Implemented (beyond FY 2038)
Local Government	**($98,458,686)**	**($98,334,744)**	**($71,469,488)**	**($71,469,488)**

FISCAL ANALYSIS

ASSUMPTION

§32.070 Streamlined Sales and Use Tax Agreement
Officials at the **Office of Administration Division of Budget and Planning** (**B&P**) assume §32.070 directs the director of the Department of Revenue to join the Streamlined Sales and Use Tax Agreement.

Two studies of the state and local revenues that Missouri might gain from collecting sales tax on e-commerce provide an estimated range of $108 million (Eisanach & Litan, Feb. 2010) and $210 million (Bruce, Fox, & Luna, April 2009). Both studies are limited to the gains from e-commerce, and do not attempt to estimate other remote sales. B&P notes that remote sellers would be able to remit sales tax under this agreement.

B&P estimates that this section will increase Total State Revenue by $5.0 million and General Revenue by $3.6 million in FY 2020. Once fully implemented, this section will increase Total State Revenue by $10.0 million and General Revenue by $7.1 million annually.

Fund Affected	FY 2019	FY 2020	FY 2021
General Revenue	$0	$5,000,000	$7,100,000
Parks, Soil & Water	$0	$100,000	$200,000
Conservation	$0	$100,000	$300,000
School District Trust	$0	$1,200,000	$2,400,000
Total	$0	$6,400,000	$10,000,000

Officials at the **Department of Revenue** (**DOR**) assume this proposed section allows the Department to enter the Streamlined Sales and Use Tax Agreement (SSUTA). The Department believes this wording may suffice for entry into the SSUTA, and this may increase state revenues by an estimated $10 million once fully implemented in FY2021.

Oversight notes that DOR estimates the increased revenue to the state would be $5 million in FY 2020 and $10 million each fiscal year starting in FY 2021. B&P estimates the local political subdivisions would receive $4.3 million in FY 2020 and $8.6 million each fiscal year starting in FY 2021. Oversight will show in the fiscal note the projections by DOR and B&P.

ASSUMPTION (continued)

Officials at the **Missouri Senate** assume any costs can be absorbed within existing resources.

Officials at the **Missouri House of Representatives** assume there is no fiscal impact from this proposal.

Officials at the **Callaway County** assume an unknown fiscal impact.

Officials at the **St. Louis County Board of Election Commissioners** assume there is no fiscal impact from this proposal.

Officials at the **Joint Committee on Administrative Rules** assume there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state 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, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

§32.087 Local Sales Tax
Officials at the **B&P** assume this section requires that the combined rate under local sales tax law in a jurisdiction be less than 7.275%. Based on information from DOR, there are no jurisdictions with a combined rate in excess of 7.275%; the highest cumulative local rate is currently 7.138%.

§100.730 BUILD Tax Credit, §135.110 Business Facility Tax Credit
Officials at the **B&P** assume §100.730 and §135.110 each requires the net fiscal benefit to the state be no less than $2.50 for any approved BUILD or New and Expanded Business Facility tax credit project. B&P estimates that this will not impact Total State Revenue or General Revenue

ASSUMPTION (continued)

as the same amount of tax credits will be approved for projects that meet the net fiscal benefit requirement.

Officials at the **Department of Economic Development** (**DED**) assume §100.730 and §135.110 adds language that no project that will result in "a net fiscal benefit to the state of less than $2.50 for each dollar of state benefit provided" shall be approved. DED assumes this would have no fiscal impact on either tax credit.

§135.352 Missouri Low-Income Housing Tax Credit (MOLIHTC)
Officials at the **B&P** assume this section limits the amount of LIHTCs that can be awarded to any one project at $2 million. B&P notes that the language could allow DED to apply the $2 million per project cap on all projects authorized from 1997 onward. For the purpose of this fiscal note, B&P assumes that the per project cap will be only applied to projects authorized after this proposal is enacted.

This section also requires the net fiscal benefit to the state be no less than $2.50 for any approved low-income housing tax credit project. B&P estimates that this will not impact Total State Revenue or General Revenue as the same amount of tax credits will be approved for projects that meet the net fiscal benefit requirement.

This section also places an aggregate cap of $60 million on the amount of low-income housing credits that can be authorized per fiscal year. B&P notes that while the aggregate cap is to begin on July 1, 2018 this proposal would not be in effect until August 28, 2018. For the purposes of this fiscal note, B&P assumes that more than the $60 million cap will be authorized before this proposal takes effect; therefore, the impact of the authorization cap will not be felt until FY 2020. Average authorizations from FY 2015-17 were $163.4 million, which is $103.4 million greater than the newly created authorization cap. Using historical authorization and redemption patterns B&P estimates that this section will increase Total State Revenue and General Revenue by $0.05 million in FY 2020 and $103.4 million once fully implemented in FY 2038.

Officials at the **Missouri Housing Development Commission** (**MHDC**) assume this proposal caps the amount of 9% MOLIHTCs that can be authorized per development to no more than $200,000 per fiscal year, or $2 million for the total ten-year redemption period.

This proposal prohibits MHDC from issuing any MOLIHTCs for any development that does not provide a net fiscal benefit to the state of greater than 2.5: 1, or for a development that is not likely to be completed as proposed. The prohibition on issuing/redeeming credits for projects authorized/issued in prior years may present significant legal issues to the state for which the

ASSUMPTION (continued)

fiscal impact cannot be known.

This proposal reduces the amount of MOLIHTCs available for authorizations per fiscal year. Currently, MHDC has $203 million per fiscal year available for MOLIHTC authorizations. This proposal reduces that amount to no more than $6 million per fiscal year for authorizations, or $60 million for the total ten-year redemption period, beginning in FY 2019.

Current Limits:
4% MOLIHTC: $6M per year / $60M total ten years
9% MOLIHTC: $14.3 per year / $143M total ten years
TOTAL: 60,000,000 + 143,000,000 = $203,000,000

This proposal allows recaptured MOLIHTCs to be reallocated for authorizations in addition to the $6 million annually; currently recaptured MOLIHTCs are not available to MHDC for reallocation. DOR will have to work with MHDC to set up a system for that recapture/reallocate mechanism and could require some funds to cover administrative changes necessary.

The data below reflects the difference between the current amount of MOLIHTC available for Authorizations and the reduction proposed in this proposal. MHDC assumes that the annual amount of MOLIHTC available for authorizations is $6 million, or $60 million total for the ten year redemption period.

FY	LIHTC Available	10 YR TOTAL LIHTC	DIFFERENCE
2018	20,300,000	203,000,000	
2019	6,000,000	60,000,000	143,000,000

Assuming MHDC's Board of Commissioners approves new LIHTC developments in December, 2018, the impact to General Revenue likely will not be realized until December 2020 (FY 2021). Typically, there is a 24-month period between authorization and iussuance of MOLIHTCs, allowing time for construction to be completed.

Currently, MHDC provides yearly data on development costs and rent savings to MERIC for the tax credit review process. The REMI analysis provides a picture of economic development over the fifteen-year initial compliance period for the MOLIHTC. The analysis required under this proposal would shift that responsibility to MHDC and require it for every application submitted for MOLIHTC funding. Consequently, MHDC would need to hire additional staff and likely

ASSUMPTION (continued)

purchase software similar to the REMI model to fulfill this requirement. MHDC does not receive any General Revenue for operations, the additional staff / software needed will therefore be absorbed internally

The FY 2018 Qualified Allocation Plan (QAP) was approved by MHDC's Board of Commissioners on December 19, 2017; no MOLIHTC will be available for new Authorizations for FY 2018.

Oversight notes that on December 19, 2017, the MHDC approved a Qualified Allocation Plan that does not allow for the MOLIHTC credits to be issued. This Qualified Allocation Plan is effective for FY 2018 and continues until such time as another Qualified Allocation Plan is adopted. Oversight notes the Qualified Allocation Plan may govern the actions of the MHDC but does not impact statute. For fiscal note purposes, Oversight will show the impact of this proposal as it impacts the statutes.

Officials at the **DOR** assume this proposed section establishes a net fiscal benefit requirement to the Low Income Housing Tax Credit and imposes a $60 million cap in the aggregate. The Department notes that this proposal would not take effect until August 28, 2018; however, the proposal begins the $60 million authorization cap on July 1, 2018. For purposes of this fiscal note, the Department assumes that more than the $60 million will be authorized before the proposal takes effect, and therefore the impact of the authorization cap will not be felt until FY 2020. The Department estimates a $103.4 million increase to state revenues once fully implemented in FY 2038.

Oversight notes that §135.352.2 limits the 9% tax credit to $2 million per project. This proposal also adds language that no project is to be approved unless the project returns a net fiscal benefit of at least $2.50 for each dollar of state benefits provided.

Oversight notes that this portion of the proposal would limit the amount of authorized credits from its current match of the federal amount to $60 million annually beginning July 1, 2018 (FY 2019). Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development and the Missouri Housing Development Commission regarding this program, the Missouri Low-Income Housing tax credit program had the following activity;

ASSUMPTION (continued)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019 (projected)
Certificates Issued	265	105	325	250	250
Projects	30	24	36	35	35
Amount Authorized	$156,736,570	$167,123,390	$166,252,030	$165,000,000	$165,000,000
Amount Issued	$124,988,930	$101,939,700	$188,597,820	$140,000,000	$140,000,000
Amount Redeemed	$140,292,351	$170,028,538	$165,661,698	$160,000,000	$160,000,000

Amount Outstanding - $847,521,576 Amount Authorized but Unissued - $432,085,470

Oversight notes a portion of the proposal (§135.352.8) would reduce the authorization of the 9% credit to no more than $60 million annual cap beginning on July 1, 2018 (FY 2019). Oversight assumes a reduction in the authorization cap would take place immediately; however, due to the lag time between the authorization, issuance and redemptions of the credits that reduction may not be felt for several years. This credit requires that prospective taxpayers apply for the tax credit prior to construction at which time they are authorized tax credits. Prospective taxpayers would apply for the authorization of the new reduced cap credits starting after July 1, 2018 (FY 2019). The projects generally have a two year build cycle before completion and issuance of the credits. Therefore, projects approved after July 1, 2018 would not generally result in tax credits issued until after the end of FY 2020, and would not be able to be redeemed until FY 2021. Oversight will reflect the amount of increased revenue to the State as difference between the new cap of $60 million and the average amount authorized over the last five years of $164,022,398. Oversight will show the savings as $104,022,398 ($164,022,398 - $60,000,000) once fully implemented. FY 2021, Oversight will use B&P's estimate of $500,000 savings.

§135.760 Missouri Earned Income Tax Credit

Officials at the **B&P** assume this proposal provides a non-refundable Earned Income Tax Credit (EITC) to resident taxpayers in an amount equal to 20% of the federal EITC starting in tax year 2019. Using tax year 2015 data provided by DOR, the most recent year available, B&P estimates that a non-refundable earned income tax credit will reduce Total State Revenue and General Revenue by $61.8 million annually beginning in FY 2020.

Officials at the **DOR** assume this proposed section establishes a non-refundable Earned Income Tax Credit for qualified Missouri families in an amount equal to 20 percent of the Federal EITC starting in tax year 2019. This implementation may decrease state revenues by an estimated $61.8 million annually starting in FY 2020.

DOR's Personal Tax Section requires one Temporary Tax Employee ($8,164) to key new line items, one Revenue Processing Technician I ($26,340) for every 14,700 errors, one Management

ASSUMPTION (continued)

Analyst Specialist I ($38,304) to handle reporting requirements, and one Revenue Processing Technician I ($26,340) for every 5,700 pieces of additional correspondence generated.

Oversight notes the Earned Income Tax Deduction will begin with tax year January 1, 2019. Oversight notes this would result in the first tax returns being filed in FY 2020. Oversight will show in the fiscal note B&P and DOR's projected impact.

§135.805 Tax Credit Fee
Officials at the **B&P** assume this section requires the owner of a tax credit to remit a fee of 5% of the current value of a tax credit prior to sale, assignment, or any other transfer of ownership. Based on data provided by DOR, there was $301.0 million worth of tax credit transfers in CY 2016. Therefore, B&P estimates that this section will increase Total State Revenue and General Revenue by $15 million annually beginning in FY 2019.

Officials at the **DOR** assume this proposed section, makes it the liability of the owner of any tax credit to remit to the Department, in conjunction with and prior to the transfer or sale of any tax credit, a five percent fee of the current value of the tax credit. In CY 2016 the Department had $301 million worth of tax credit transfers. The Department estimates this may increase state revenues by $15 million annually beginning FY 2019.

DOR's Personal Tax Section and Corporate Tax Section will need to develop new forms, certifications and receipts. The Sections receive between 750 and 1,050 tax credit transfers in any given fiscal year requiring additional mailing costs. In addition, the Department must update the Department of Economic Development (DED) Customer Management System to add verification at the time of the transfer that the Department received and paid the fee.

Officials at the **Missouri Development Finance Board** assume the impact of §100.286, annually over the last five years, on an average basis, approximately $15 million of credits have been transferred. Assuming similar transfers going forward a 5% fee would generate approximately $750,000 per year.

Impacts §100.297: Tax credits issued per §100.297 are pledged to three outstanding revenue bonds. Adoption of any bill changing the terms and/or future issuance or accessibility to these credit authorizations, including changes in transferability, constitute an event of default under the Bond Indentures triggering an immediate call and issuance of the $19,696,000 in credits pledged.

Officials at the **DED** assumes this would not fiscally impact the department.

ASSUMPTION (continued)

Oversight notes that this proposal would require that the owner of a tax credit prior to the sale, assignment or transfer of the credit to another remit a fee equal to 5% of the current value of the tax credit. The fees collected under this proposal are to be deposited in the General Revenue Fund. Oversight will show in the fiscal note Up to the estimate provided by B&P and DOR.

§135.825 Tax Credit Reporting
Officials at the **DOR** assume the proposed section requires the Department, by December 31 of each year, to prepare and submit an annual report to the General Assembly containing information on each tax credit program. The Department assume this would not affect state revenues.

Officials at the **DED** assumes this would not fiscally impact the department.

Oversight notes this proposal requires the Department of Revenue to prepare an annual report for the General Assembly regarding the status of each tax credit. Oversight assumes this report can be assembled using existing resources.

§142.803 Motor Fuel Tax
Officials at the **B&P** assume this section would increase the motor vehicle fuel tax by $0.01, from the current $0.17 to $0.18 beginning January 1, 2019. This section would then raise the motor fuel tax to $0.21 beginning January 1, 2020. Based on FY 2017 motor fuel gas collections of $715.0 million, B&P estimates that 4,205.9 million gallons of motor fuel were taxed. Therefore, B&P estimates the increased tax could generate $14.6 million in new revenue for the State Road Fund in FY 2019 and $117.1 million in FY 2021 and thereafter. The increased tax will also raise local funds of $6.4 million in FY 2019 and $51.1 million in FY 2021 and thereafter.

Officials at the **DOR** assume this proposed section increases motor fuel tax to eighteen cents per gallon from seventeen cents per gallon in calendar year 2019. In FY 2017 the Department had an estimated 4.107 billion gallons of motor fuel that was taxed. This would therefore increase state revenues by an estimated $14.2 million in FY 2019.

Beginning January 1, 2020, the tax will be increased to twenty-one cents per gallon from the eighteen cent per gallon in CY 2019. In FY 2017 the Department had an estimated 4.107 billion gallons of motor fuel that was taxed. This would therefore increase state revenues by an estimated $70.9 million in FY 2020 and $113.2 in FY 2021 when fully implemented.

ASSUMPTION (continued)

DOR's Excise Tax Section will require two Revenue Processing Technicians I ($24,360) due to increased reviews of motor fuel refund claims.

Officials at the **ITSD-DOR** assume this proposal would require form changes and computer programming changes. These are estimated to cost $75,168 ($75 per hour x 1,002.24 hours).

Oversight will show the ITSD-DOR costs in the fiscal note.

Oversight notes this portion of the proposal would increase the motor fuel tax from $.17 per gallon to $.18 per gallon starting January 1, 2019 (FY 2019). It would increase the motor fuel tax again on January 1, 2020 (FY 2020) to $.21 per gallon. This chart shows the amount of tax collected and number of gallons sold on motor fuel each of the last five fiscal years.

	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Motor Fuel Tax Collected	$726,918,660	$704,792,974	$704,921,584	$708,241,405	$708,063,819
Gallons	4,270,109,765	4,145,841,024	4,146,597,553	4,166,125,912	4,165,081,288

Source: Department of Revenue

Oversight notes the five year average number of gallons of motor fuel sold is 4,178,751,108. This proposal increases the motor fuel tax beginning January 1, 2019, with a $.01 increase which would bring $41,787,511 (4,178,751,108 x .01) annually to the Motor Fuel Tax Fund (0673). Oversight notes the money in the Motor Fuel Tax Fund is distributed 12% to counties, 15% to cities and the remaining 73% to the State Road Fund. Therefore, $30,504,883 in will go to the State Road Fund while $11,282,628 will go to the cities ($6,268,127) and counties ($5,014,501). However, this proposal would begin January 1, 2019 and end December 31, 2019 and for simplicity of the fiscal note, Oversight will show only half the proposed revenue in FY 2019 and all the proposed revenue in subsequent fiscal years.

Oversight notes that starting January 1, 2020 and each year thereafter the amount of increased revenue to the state from the $.03 cent increase would be $125,362,533 (4,178,751,108 x .03) annually to the Motor Fuel Tax Fund (673). Therefore, $91,514,649 will go to the State Road Fund while $33,847,884 will go to the cities ($18,804,380) and counties ($15,043,504). However, this proposal would begin January 1, 2020 and for simplicity of the fiscal note, Oversight will show only half the proposed revenue in FY 2020.

ASSUMPTION (continued)

§143.011 Individual Tax Rate, §143.111 and §143.171 Federal Income Tax Liability Deduction for Individuals and Corporations

Officials at the **B&P** assume §143.011.2(4) clarifies that the top tax bracket is not eliminated once the top rate is decreased to or below 5.5%. Section 143.011.6(3) defines "net general revenue". B&P estimates that these two provisions will not impact Total State Revenue or General Revenue.

Section 143.011.3 would reduce the top rate of tax by 1.0% for tax year 2019, and further reduce the top rate by 0.2% for tax year 2020 and thereafter, in addition to the top rate reductions that are currently scheduled to occur under 143.011.2. For the purpose of this fiscal note B&P assumes that the rate reductions contained in §143.011.2 occur every year from tax year 2019 through tax year 2022. Based on this assumption the top rate of tax would be reduced to 4.8% for tax year 2019, 4.5% for tax year 2020, 4.4% for tax year 2021, and 4.3% for tax year 2022 and annually thereafter.

Section 143.011.4(1) would grant an additional top rate reduction of 0.2% on or after tax year 2019. Section 143.011.4(2) contains a contingency clause stating that the top rate reduction in subsection 4 shall not occur unless the Supreme Court of the United States renders a decision, a law is passed by the federal government, or the constitution of the United States is amended which enables the state of Missouri to require out-of-state sellers with no physical presence in the state to collect and remit state and local sales taxes. B&P notes that estimating a possible federal change in the future to existing law is outside the scope of this fiscal note. For the purpose of this fiscal note, B&P estimates that the top rate reduction contained in subsection 4 will not occur.

Section 143.011 and §143.171 would end the federal income tax deduction currently granted to individuals and corporations, beginning in tax year 2019.

Based on information from DOR, in FY 2017 there were $109 million in corporate federal tax deductions. Therefore, B&P estimates that this provision could increase Total State Revenue and General Revenue by $109 million annually beginning FY 2020.

Using tax year 2015, the most current year available, B&P estimates that the top rate reduction and the elimination of the individual federal income tax deduction would reduce Total State Revenue and General Revenue by $209.1 million in FY 2019, $582.2 in FY 2020, $702.5 in FY 2021 and by $716.5 million in FY 2023 and annually thereafter, once fully implemented.

ASSUMPTION (continued)

Officials at the **DOR** assume this proposed section clarifies that the top tax bracket is not eliminated once the top rate is decreased to or below 5.5%. This proposed section also defines "net general revenue". The Department estimates that these would not impact state revenues.

Beginning January 1, 2019, this proposed section reduces the top rate of tax by one percent. On January 1, 2020, the proposed section reduces the top rate by two-tenths of one percent, but the top rate may not fall below four and three-tenths percent.

These proposed sections would end the federal income tax deduction currently granted to individuals and corporations, beginning in tax year 2019.

In FY 2017 there were $109 million in corporate federal tax deductions. DOR estimates that this provision may increase state revenues by $109 million annually beginning FY 2020.

DOR's Personal Tax Section requires two Revenue Processing Technicians I ($26,340) for every 5,700 pieces of correspondence generated due to the provisions of these sections.

Oversight will show in the fiscal note B&P's projected amount.

§143.071 Corporate Tax Rate
Officials at the **B&P** assume this section would reduce the corporate income tax rate from 6.25% to 4.25% beginning with tax year 2019. In FY 2017, there was $276.1 million in corporate income taxes collected. B&P estimates that a 2% reduction on the corporate income tax would decrease Total State Revenue and General Revenue by $44.2 million in FY 2019 and by $88.4 million in FY 2020 and thereafter.

Officials at the **DOR** assume beginning January 1, 2019 the legislation imposes an income tax of corporations of four and one-quarter percent of its Missouri taxable income. This may decrease state revenues by an estimated $88.4 million once fully implemented in FY 2020.

DOR's Corporate Tax Section requires two Revenue Processing Technicians I ($26,340) for every 2,600 pieces of additional correspondence generated.

Oversight will show in the fiscal note B&P and DOR's projected amount.

ASSUMPTION (continued)

§143.261 Repeal of the Withholding Timely Filing Discount
Officials at the **B&P** assume this section would repeal the withholding timely filing discount. Based on data from DOR, in FY 2017 there were $30.1 million in withholding timely filing discounts. Therefore, B&P estimates that this section would increase Total State Revenue and General Revenue by $30.1 million beginning in FY 2019.

Officials at the **DOR** assume this proposed section would repeal the timely filing discount for withholding. In FY 2017 there were $30.1 million in withholding discounts. There may be an estimated increase of state revenues by $30.1 million beginning in FY 2019.

§144.030 Kidney Dialysis
Officials at the **B&P** assume this section includes a new exemption for kidney dialysis equipment and enteral feeding systems. B&P notes that this will have a minimal negative impact on Total State Revenue.

§144.049 School Tax Holiday
Officials at the **B&P** assume this section removes the current $50 per purchase limit on qualifying school supply purchases during the school tax holiday, removes graphing calculators of $150 or less from the list of qualified purchases, and creates a $1,500 per item, rather than the current per purchase, limit on computers and computer supplies. B&P notes that this will have a minimal negative impact on Total State Revenue.

B&P also notes that this section no longer allows local municipalities to opt out of the school tax holiday. This will reduce revenues in all localities that currently opt out of the sales tax holiday. In tax year 2016, the most recent year data was available, local sales tax collections for qualifying items during the holiday totaled $0.4 million. Therefore, B&P estimates that this provision could reduce local funds by $0.4 million beginning in FY 2019.

Oversight notes this proposal would not be effective until August 28, 2018, which is after the school sales tax holiday occurs in FY 2019. Oversight will not show a fiscal impact in FY 2019. Oversight will show the fiscal impact to local political subdivisions as the estimate provided by B&P.

§144.054 Manufacturing Sales Tax Exemption
Officials at the **B&P** assume this section would expand the manufacturing sales tax exemption to include local sales tax. Based on previous estimates, the state sales tax loss due to this exemption is $70.0 million. B&P estimates that state sales taxes account for 36% of total tax collected, while local taxes account for 64%. Therefore, B&P estimates that the total cost of the

ASSUMPTION (continued)

manufacturing sales tax exemption to state and local sales taxes would be $194.4 million. Based on these calculations, B&P estimates that this section could reduce local sales taxes by $103.7 in FY 2019 and $124.4 million annually after that.

Oversight will show the fiscal impact to local political subdivisions as the estimate provided by B&P.

§144.517 Textbook Sales Tax Exemption
Officials at the **B&P** assume this section replaces the sales tax exemption for textbooks with a sales tax exemption for all school instructional materials. B&P notes this section still relies on the definition for textbooks found in §170.051 rather than the updated definition for instructional material found in §144.030. Therefore, B&P estimates that this section will have no impact on Total State Revenue as currently written.

§144.526 Show Me Green Sales Tax Holiday
Officials at the **B&P** assume this section no longer allows local municipalities to opt out of the Show Me Green sales tax holiday. This will reduce revenues in all localities that currently opt out of this sales tax holiday.

In tax year 2017, the most recent year data was available, local sales tax collections for qualifying items during the holiday totaled $0.4 million. Therefore, B&P estimates that this provision could reduce local funds by $0.4 million beginning in FY 2019.

Oversight will show the fiscal impact to local political subdivisions as the estimate provided by B&P.

§208.1050 Missouri Senior Services Protection Fund
Officials at the **B&P** assume this section states that DOR shall calculate the amount of federal tax deductions (for individuals and corporations) claimed during FY 2018. Such calculated amounts, not to exceed $40 million, shall be deposited into the Missouri Senior Services Protection Fund annually. B&P notes that there is no start date for the deposits into the SSPF specified within this section. B&P further notes that no savings from the elimination of the federal tax deductions will be realized until FY 2020. Therefore, for the purposes of this fiscal note, B&P will assume that the first transfer will not occur until FY 2020.

Officials at the **DOR** assume this proposed section instructs the Department to deposit money, not to exceed $40 million, into the Missouri Senior Services Protection Fund. The exact amount would be calculated by the amount of deductions claimed during FY 2018, and that amount

ASSUMPTION (continued)

would be deposited into the fund. This may reduce General Revenues by an estimated $40 million.

Officials at the **Office of the State Treasurer** assume there is no fiscal impact from this proposal.

Oversight notes that corporate taxpayers in §143.171 are allowed to deduct 50% of their federal income tax liability. DOR is to calculate the amount of corporate deductions and transfer an amount not to exceed $40 million to the Missouri Senior Service Protection Fund annually. Oversight notes that this transfer to the Fund is required annually, however, in this proposal the corporate deduction is discontinued starting December 31, 2018. Oversight will show the transfer from General Revenue to the Missouri Senior Service Protection Fund as $40 million annually.

§253.550 and §253.559 Historic Preservation Tax Credit
Officials at the **B&P** assume §253.559 requires the net fiscal benefit to the state be no less than $2.50 for any approved historic preservation tax credit project. Based on information from DED, this requirement would end the Historic Preservation tax credit program. Average authorizations from FY 2015-2017 were $114.0 million. Using historical authorization and redemption patterns B&P estimates that this section will increase Total State Revenue and General Revenue by $3.0 million in FY 2020 and $114.0 million once fully implemented in FY 2036.

Section 253.550 places an aggregate cap of $30 million on the amount of historic preservation credits that can be authorized per fiscal year. B&P notes that while the aggregate cap is to begin on July 1, 2018 this proposal would not be in effect until August 28, 2018. For the purposes of this fiscal note, B&P assumes that, barring the effect from §253.559, more than the $30 million cap could be authorized before this proposal takes effect; therefore, the impact of the authorization cap would not be felt until FY 2020.

In addition, for all fiscal years beginning January 1, 2018 no new applications are to be authorized for residential properties. B&P notes that this proposal would not become effective until August 28, 2018.

Officials at the **DED** assume this proposal adds a provision that the amount awarded must be the lesser of $2 million or 25% of the total costs. That beginning each FY after 7-1-18, the cap on the program is $30 million/year. Additionally a provision is added that after 1-1-18 there can be no credits for residential property.

ASSUMPTION (continued)

This proposal also adds new requirements for an application that the project will provide a net fiscal benefit to the state of at least $2.50 for each dollar awarded and evidence of the applicants financial stability, creditworthiness, and ability to complete the project. The impact of this provision will effectively end the Historic program because to meet the 2.5:1 ratio a project must have an investment of $45 million and create 120 jobs. There have been no single projects in the history of the program that meet this requirement. This will result in a savings of the cap of the program of $140 million minus the return to the state of $35 million for a total savings of $105,000,000.

Officials at the **DOR** assume this proposed section adds net fiscal benefit to the Historic Preservation tax credit. Based on information from DED, this requirement would end the Historic Preservation tax credit program. Average authorizations from FY 2015 - 2017 were $114.0 million. The department estimates that this section will increase state revenues by $3.0 million in FY 2020 and $114.0 million once fully implemented in FY 2036.

Section 253.550 places an aggregate cap of $30 million on the amount of historic preservation credits that can be authorized per fiscal year. The Department notes that while the aggregate cap is to begin on July 1, 2018 this proposal would not be in effect until August 28, 2018. For the purposes of this fiscal note, barring the effect from §253.559, more than the $30 million cap could be authorized before this proposal takes effect; therefore, the impact of the authorization cap would not be felt until FY 2020.

Officials at the **Department of Natural Resources** note the department's State Historic Preservation Office (SHPO) staff reviews rehabilitation work for the state historic preservation tax credit program to ensure it conforms to the Secretary (of the United States Department) of the Interior's Standards for Rehabilitation. Any changes in the tax credit structure may have an impact on the number of rehabilitation projects the SHPO reviews. Additionally, with a reduced number of projects, the fee assessed per tax credit, that in part funds the SHPO, would also be reduced (Economic Development Advancement Fund 0783).

The DED tracks the financial side of the historic preservation tax credit program and SHPO assists with the rehab design review; therefore, DED is in a better position to quantify the potential economic impacts of limiting tax credits. With the threat of a reduced program there may continue to be a rush on the available funds, bringing an increased number of commercial property projects and greater workload to the SHPO prior to July 1, 2018, due to the uncertainty of future funding and credit availability (new applications for residential properties would not be authorized beginning January 1, 2018).

ASSUMPTION (continued)

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Historic Preservation tax credit program had the following activity:

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019 (projected)
Certificates Issued	154	210	162	175	175
Projects	210	182	113	123	123
Amount Authorized	$97,136,287	$90,749,410	$154,152,770	$160,000,000	$160,000,000
Amount Issued	$53,206,338	$59,590,351	$85,136,859	$100,000,000	$100,000,000
Amount Redeemed	$47,638,886	$57,496,338	$49,742,927	$60,000,000	$70,000,000

Amount Outstanding - $102,834,919   Amount Authorized but Unissued - $341,073,841

Oversight notes that starting July 1, 2018, the cap is lowered from $140 million to $30 million and no credits can be given for residential properties. Currently residential property owners can receive up to $250,000 per property. There is no annual cap on the residential property tax credit.

Oversight notes a portion of the proposal lowers the cap on the Historic Preservation Tax Credit. Oversight assumes a reduction in the authorization cap would take place immediately; however, due to the lag time between the authorization, issuance and redemptions of the credits that reduction may not be felt for several years. This credit requires that prospective taxpayers apply for the tax credit prior to construction at which time they are authorized tax credits. Prospective taxpayers would apply for the authorization of the new reduced cap credits starting after July 1, 2018 (FY 2019). The projects generally have a two year build cycle before completion and issuance of the credits. Therefore, projects approved after July 1, 2018 would not generally result in tax credits issued until after the end of FY 2020, and would not be able to be redeemed until FY 2021. Oversight will reflect the amount of increased revenue to the State as difference between the new cap of $30 million and the average amount issued over the last five years of $62,244,236. Oversight will show the savings as $32,241,236 ($62,241,236 - $30,000,000).

Oversight notes this proposal caps the amount of each project at $2 million or 25% of total costs. Oversight is unable to determine if this part of the proposal would have an additional fiscal impact.

ASSUMPTION (continued)

§620.2010 Missouri Works
Officials at the **B&P** assume this section requires the net fiscal benefit to the state be no less than $2.50 for any approved MO Works tax credit project. B&P estimates that this will not impact Total State Revenue or General Revenue as the same amount of tax credits will be approved for projects that meet the net fiscal benefit requirement.

Officials at the **DED** assume this proposal adds a provision that no benefits awarded unless DED determines that benefit to state will be at least $2.50 for each dollar awarded in benefits. DED assumes this would not have a fiscal impact.

Officials at the **DOR** assume this proposed section adds net fiscal benefit to the MO Works tax credit. The Department assumes that no credit would be issued that would not meet this standard, and therefore there would be no fiscal impact.

§620.3200 DED Fee for Capitol Complex Fund
Officials at the **B&P** assume §620.3200 allows DED to charge a fee up to 1% on all tax credits issued under Chapter 253. The fee is to be deposited into the Capital Complex Fund, as created in §620.3210. B&P notes that this would apply the 1% fee to only the Historic Preservation tax credits. B&P further notes that, based on information provided by DED, §253.559 would end the Historic Preservation tax credit. Therefore, B&P estimates that no new revenues would be generated for the Capital Complex Fund.

Officials at the **Missouri Development Finance Board** (**MDFB**) assume this allows a 1% fee imposed on tax credits issued under chapter 253 with the fee payable to MDFB for the benefit of the Capitol Complex Fund. The fee will reduce state costs for repairs on a dollar for dollar collected basis. MDFB is deferring the fiscal impact of this section to DED.

Officials at the **DED** assume this proposal would authorize a new fee to the recipient of tax credits not to exceed 1% of the tax credit payable to MDFB for the benefit of the Capitol Complex Fund.

Officials at the **DOR** assume §620.3200 allows DED to charge a fee up to 1% on all tax credits issued under Chapter 253. The fee is to be deposited into the Capital Complex Fund, as created in §620.3210. The department notes that this would apply the 1% fee to only the Historic Preservation tax credits. The department further notes that, based on information provided by DED, §253.559 would end the Historic Preservation tax credit. Therefore, the department estimates that no new revenues would be generated for the Capital Complex Fund.

ASSUMPTION (continued)

Oversight notes §620.3200 allows the Department of Economic Development to charge a fee to the recipient of any tax credits issued by the Department under the provisions of chapter 253 (Historic Preservation Tax Credit) in an amount not to exceed one percent of the amount of tax credits issued. Oversight also notes this fee shall be payable to the Missouri Development Finance Board for the benefit of the Capitol Complex Fund. This proposal lowered the cap on the Historic Preservation tax credit to $30 million. Due to the requirement that the Historic Preservation tax credit must generate a net fiscal benefit to the State greater than $2.50; B&P, DOR and DED all agree that the credit will no longer be authorized or issued. Oversight will not show a fiscal impact from this portion of the proposal.

§620.3210 Capitol Complex Tax Credit
Officials at the **B&P** assume §620.3210 would create a tax credit for individuals or entities that make eligible monetary or artifact donations to the Capitol Complex Fund, beginning January 1, 2018. Taxpayers may claim a tax credit for an amount up to 50% of their eligible monetary donation or for an amount up to 30% of their eligible artifact donation. The credit for monetary donations is refundable and has a four-year, carry-forward provision. The credit for eligible artifact donations is not refundable and has a four-year, carry-forward provision. Issuances of these tax credits are capped at $10 million annually. These tax credits may offset Tax Year 2018 liabilities; therefore, reducing General and Total State Revenues by up to $10 million annually beginning in FY 2019.

Officials at the **DOR** assume §620.3210 would create a tax credit for individuals or entities that make eligible monetary or artifact donations to the Capitol Complex Fund, beginning January 1, 2018. Taxpayers may claim a tax credit for an amount up to 50% of their eligible monetary donation or for an amount up to 30% of their eligible artifact donation. The credit for monetary donations is refundable and has a four-year, carry-forward provision. The credit for eligible artifact donations is not refundable and has a four-year, carry-forward provision. Issuances of these tax credits are capped at $10 million annually. These tax credits may offset Tax Year 2018 liabilities; therefore, reducing General and Total State Revenues by up to $10 million annually beginning in FY 2019.

The Personal Tax Section requires one Revenue Processing Technician I ($26,340) for every 4,000 credits redeemed if the Department administers this credit. The Corporate Tax Section requires one Revenue Processing Technician I ($26,340) for every 4,000 tax credits redeemed, one Revenue Processing Technician I ($26,340) for every 4,000 tax credit transfers, and one Revenue Processing Technician I ($26,340) for every 2,600 pieces of additional correspondence generated.

ASSUMPTION (continued)

Officials at the **Office of Administration** defers to Office of Administration Division of Budget and Planning's for fiscal impact.

Officials at the **MDFB** assume $10 million as the maximum annual direct impact on State funds. The maximum cost to state revenues is $10 million per calendar year, but it is important to note that contributions received will reduce state funds otherwise appropriated for repair and maintenance of capitol complex buildings by approximately $19.5 million, the amount of donations that could be received for the $10 million of 50% credits, less 2.5% admin and other program costs, thus resulting in an approximately $9.5 million net gain to the state.

Officials at the **DED** assume this proposal creates the Capitol Complex Fund. This proposal authorizes a tax credit of 50% of a monetary donation to the fund and 30% of an artifact donation. Program is capped at $10 million per calendar year. DED will have to hire 1 Economic Development Incentive Specialist III ($53,136) to administer the new tax credit program.

Oversight notes the Department of Economic Development shall not authorize more than $10 million in tax credits under §620.3210 in any calendar year. This tax credit begins with tax year January 1, 2018, so the first year a person would claim the credit is FY 2019. Therefore, Oversight will show a fiscal impact of Up to the maximum cap of $10 million beginning in FY 2019.

Oversight notes §620.3210.4 of this proposal allows for a qualified donor to claim a credit in the amount of 50% of the eligible monetary donation ($10 million maximum tax credit cap / 50% = $20,000,000). §620.3210.5 of this proposal allows for a qualified donor to claim a credit in the amount of 30% of the eligible artifact donation ($10 million maximum tax credit cap / 30% = $33,333,333). Oversight will show donations to the Capitol Complex Fund Up to $20,000,000 (cash portion).

EPARC CALCULATIONS

Officials at the **University of Missouri's Economic and Policy Analysis Research Center** (**EPARC**) assume although there are many changes to tax law in this bill, we will restrict our analysis to those portions of the bill that change the individual income tax. Currently, the top rate of tax on personal income is being reduced over a period of years. Each year that a General Revenue growth trigger is met, the top rate will be reduced by 0.1%. The top rate will continue to be reduced until it is lowered from 6% to 5.5%. Also, current legislation states that a business income subtraction will be implemented, starting at 5% and increasing by 5% every year the same General Revenue growth trigger is met. This bill will reduce the top rate in addition to

ASSUMPTION (continued)

current legislation. In 2019, it will be reduced by an additional 1% and in 2020 it will be reduced by an additional 0.2%. In 2019, this bill will create the Missouri Earned Income Credit. It will be non-refundable, equivalent to 20% of the filer's federal earned income credit. As well, this bill will repeal the federal income tax credit just before the 2019 tax year.

Since the current law (SB 509) has yet to take effect until the 2017 tax year, the best estimate of the impact of this proposed bill will entail using its proposed changes in tax parameters to simulate its impact within the context of existing legislation (SB 509) on the current 2016 baseline and then subtracting a re-estimated impact of SB 509 using the current 2016 baseline data. Therefore, the first portion of this response will re-estimate SB 509 using the most current 2016 baseline data. The second portion of the response will use the above proposed changes in tax parameters and estimate a fiscal impact within the context of existing legislation (SB 509). The summary portion of this response will calculate and explain the impact of this bill as it will reduce Net General Revenue beyond existing legislation.

The net General Revenue growth trigger was met for 2018. Therefore, the top tax rate will be reduced to 5.9% and a 5% business income subtraction will be implemented for the 2018 tax year per SB 509. These are represented within our baseline below. Since we are unable to predict future net General Revenue levels that would trip the General Revenue growth trigger, we are restricted to estimate this request as a maximum impact estimate. As such, we will assume going forward that the net General revenue growth requirement will be met every year beyond 2018 thereby reducing the top individual income tax rate every year.

SB 509 Re-estimated Using 2016 Data: Assuming the net General Revenue trigger will be met for five years beginning with the 2018 tax year and ending with the 2022 tax year, SB 509 would reduce the top individual income tax rate by one-tenth of one percent each year until it equals 5.5% in 2022. Beginning in 2017 it has already increased the brackets of Missouri taxable income within the tax table by the rate of inflation as measured by the CPI by 0.8% for 2017 and another 2% for 2018 as shown in our baseline below. Increases in the tax brackets beyond 2018 will be estimated as follows: According to the Bureau of Labor Statistics, the average increase in the annual CPI for All Urban Consumers for the United States over the last three years is approximately 1.38%. We will use this figure to increase the tax brackets beyond 2018 as shown in the following tables (tax payments were rounded to the nearest dollar). The following tables reflect the changes in the Missouri individual income tax table each year until 2021 according to current legislation:

ASSUMPTION (continued)

2018 Tax Year (Baseline):

If the Missouri taxable income is:	The tax is:
Not over $1,028 …	1/ ½ % of the Missouri taxable income
Over $1,028 but not over $2,056 …	$15 plus 2 % of excess over $1,028
Over $2,056 but not over $3,084 …	$36 plus 2 ½ % of excess over $2,056
Over $3,084 but not over $4,112 …	$62 plus 3 % of excess over $3,084
Over $4,112 but not over $5,140 …	$93 plus 3 ½ % of excess over $4,112
Over $5,140 but not over $6,168 …	$129 plus 4 % of excess over $5,140
Over $6,168 but not over $7,196 …	$170 plus 4 ½ % of excess over $6,168
Over $7,196 but not over $8,224 …	$216 plus 5 % of excess over $7,196
Over $8,224 but not over $9,253 …	$267 plus 5 ½ % of excess over $8,224
Over $9,253 …	$324 plus 5 9/10 % of excess over $9,253

2019 Tax Year:

If the Missouri taxable income is:	The tax is:
Not over $1,042 …	1/ ½ % of the Missouri taxable income
Over $1,042 but not over $2,084 …	$16 plus 2 % of excess over $1,042
Over $2,084 but not over $3,127 …	$36 plus 2 ½ % of excess over $2,084
Over $3,127 but not over $4,169 …	$63 plus 3 % of excess over $3,127
Over $4,169 but not over $5,211 …	$94 plus 3 ½ % of excess over $4,169
Over $5,211 but not over $6,253 …	$130 plus 4 % of excess over $5,211
Over $6,253 but not over $7,295 …	$172 plus 4 ½ % of excess over $6,253
Over $7,295 but not over $8,337 …	$219 plus 5 % of excess over $7,295
Over $8,337 but not over $9,381 …	$271 plus 5 ½ % of excess over $8,337
Over $9,381 …	$328 plus 5 4/5 % of excess over $9,381

2020 Tax Year:

If the Missouri taxable income is:	The tax is:
Not over $1,056 …	1/ ½ % of the Missouri taxable income
Over $1,056 but not over $2,113 …	$16 plus 2 % of excess over $1,056
Over $2,113 but not over $3,170 …	$37 plus 2 ½ % of excess over $2,113
Over $3,170 but not over $4,227 …	$63 plus 3 % of excess over $3,170
Over $4,227 but not over $5,283 …	$95 plus 3 ½ % of excess over $4,227
Over $5,283 but not over $6,339 …	$132 plus 4 % of excess over $5,283
Over $6,339 but not over $7,396 …	$174 plus 4 ½ % of excess over $6,339

ASSUMPTION (continued)

Over \$7,396 but not over \$8,452 …	\$222 plus 5 % of excess over \$7,396
Over \$8,452 but not over \$9,510 …	\$275 plus 5 ½ % of excess over \$8,452
Over \$9,510 …	\$333 plus 5 7/10 % of excess over \$9,510

2021 Tax Year:

If the Missouri taxable income is:	The tax is:
Not over \$1,071 …	1/ ½ % of the Missouri taxable income
Over \$1,071 but not over \$2,142 …	\$16 plus 2 % of excess over \$1,071
Over \$2,142 but not over \$3,214 …	\$37 plus 2 ½ % of excess over \$2,142
Over \$3,214 but not over \$4,285 …	\$64 plus 3 % of excess over \$3,214
Over \$4,285 but not over \$5,356 …	\$96 plus 3 ½ % of excess over \$4,285
Over \$5,356 but not over \$6,426 …	\$134 plus 4 % of excess over \$5,356
Over \$6,426 but not over \$7,498 …	\$177 plus 4 ½ % of excess over \$6,426
Over \$7,498 but not over \$8,569 …	\$225 plus 5 % of excess over \$7,498
Over \$8,569 but not over \$9,641 …	\$278 plus 5 ½ % of excess over \$8,569
Over \$9,641 …	\$337 plus 5 3/5 % of excess over \$9,641

Using the Net Tax Due from the latest 2016 individual income tax data as our baseline, we find that Net Tax Due is equal to \$5,512.291. When we reduce the individual rates, increase the tax brackets by 1.38% and include a 10% business income subtraction for 2019, we find the Net Tax Due is reduced to \$5,386.297 million. Subtracting this figure from the baseline, we see this translates into a decrease in Net General Revenue of \$125.994 million in 2019. When we reduce the individual rates, increase the tax brackets by another 1.38% and include a 15% business income subtraction for 2020, we find the Net Tax Due is reduced to \$5,264.656 million. Subtracting this figure from the baseline, we see this translates into a decrease in Net General Revenue of \$247.635 million in 2020. When we reduce the individual rates, increase the tax brackets by another 1.38% and include a 20% business income subtraction for 2021, we find the Net Tax Due is reduced to \$5,142.820 million. Subtracting this figure from the baseline, we see this translates into a decrease in Net General Revenue of \$369.471 million in 2021.

A re-estimated SB 509 using 2016 baseline data will decrease Net General Revenue by \$125.994 million in 2019, \$247.635 million in 2020, and then \$369.471 million in 2021.

SB 611 Parameters Used Within the Context of SB 509: Beginning in 2019, this bill will reduce the top rate in addition to current legislation. In 2019 it will be reduced by an additional 1% and in 2020 it will be reduced by an additional 0.2%. In 2019, this bill will create the Missouri Earned Income Credit. It will be non-refundable, equivalent to 20% of the filer's federal earned income credit. As well, this bill will repeal the federal income tax credit just before the 2019 tax

ASSUMPTION (continued)

year. The following tables reflect the changes in the Missouri individual income tax table each year until 2021 according to this legislation:

2019 Tax Year:

If the Missouri taxable income is:	The tax is:
Not over $1,042 …	1/ ½ % of the Missouri taxable income
Over $1,042 but not over $2,084 …	$16 plus 2 % of excess over $1,042
Over $2,084 but not over $3,127 …	$36 plus 2 ½ % of excess over $2,084
Over $3,127 but not over $4,169 …	$63 plus 3 % of excess over $3,127
Over $4,169 but not over $5,211 …	$94 plus 3 ½ % of excess over $4,169
Over $5,211 but not over $6,253 …	$130 plus 4 % of excess over $5,211
Over $6,253 but not over $7,295 …	$172 plus 4 ½ % of excess over $6,253
Over $7,295 …	$219 plus 4 4/5 % of excess over $7,295

2020 Tax Year:

If the Missouri taxable income is:	The tax is:
Not over $1,056 …	1/ ½ % of the Missouri taxable income
Over $1,056 but not over $2,113 …	$16 plus 2 % of excess over $1,056
Over $2,113 but not over $3,170 …	$37 plus 2 ½ % of excess over $2,113
Over $3,170 but not over $4,227 …	$63 plus 3 % of excess over $3,170
Over $4,227 but not over $5,283 …	$95 plus 3 ½ % of excess over $4,227
Over $5,283 but not over $6,339 …	$132 plus 4 % of excess over $5,283
Over $6,339 …	$174 plus 4 ½ % of excess over $6,339

2021 Tax Year:

If the Missouri taxable income is:	The tax is:
Not over $1,071 …	1/ ½ % of the Missouri taxable income
Over $1,071 but not over $2,142 …	$16 plus 2 % of excess over $1,071
Over $2,142 but not over $3,214 …	$37 plus 2 ½ % of excess over $2,142
Over $3,214 but not over $4,285 …	$64 plus 3 % of excess over $3,214
Over $4,285 but not over $5,356 …	$96 plus 3 ½ % of excess over $4,285
Over $5,356 but not over $6,426	$134 plus 4 % of excess over $5,356
Over $6,426 …	$177 plus 4 2/5 % of excess over $6,426

Using the Net Tax Due from the latest 2016 individual income tax data as our baseline, we find that Net Tax Due is equal to $5,512.291. When we reduce the top individual tax rate by an additional 1%, increase the tax brackets by 1.38%, eliminate the federal income tax deduction and create the Missouri Earned Income Credit, we find the Net Tax Due is reduced to $4,866.284

ASSUMPTION (continued)

million. Subtracting this figure from the baseline, we see this translates into a decrease in Net General Revenue of $646.007 million in 2019. When we reduce the top individual tax rate by an additional 0.2%, increase the tax brackets by 1.38%, eliminate the federal income tax deduction and allow the Missouri Earned Income Credit, we find the Net Tax Due is reduced to $4,550.331 million. Subtracting this figure from the baseline, we see this translates into a decrease in Net General Revenue of $961.960 million in 2020. When we reduce the top individual tax rate by 0.1% (per SB 509), increase the tax brackets by 1.38%, eliminate the federal income tax deduction and allow the Missouri Earned Income Credit, we find the Net Tax Due is reduced to $4,428.508 million. Subtracting this figure from the baseline, we see this translates into a decrease in Net General Revenue of $1,083.783 million in 2021.

We estimate that the impact of SB 611 parameters within the context of SB 509 will decrease Net General Revenue by $590.009 million in 2019, $961.960 million in 2020, and then $1,083.783 million in 2021. Figure 2 in the Summary section below summarizes these findings.

Summary:

Figure 1: SB 509 Re-estimated Using 2016 Data
(Dollar figures are in millions)

Year	**Top Tax Rate**	**Net Tax Due**	**Change in Net General Revenue Relative to the Base Year**
Baseline	5.9%	$5,512.291	$0
2019	5.8%	$5,386.297	($125.994)
2020	5.7%	$5,264.656	($247.635)
2021	5.6%	$5,142.820	($369.471)

Figure 2: SB 611 Parameters Used within the Context of SB 509
(Dollar figures are in millions)

Year	**Top Tax Rate**	**Net Tax Due**	**Change in Net General Revenue Relative to the Base Year**
2019	4.8%	$4,886.284	($646.007)
2020	4.5%	$4,550.331	($961.960)
2021	4.4%	$4,428.508	($1,083.783)

ASSUMPTION (continued)

To reiterate, since the current law (SB 509) has yet to take effect until tax year 2017, the best estimate of the impact of this proposed bill entailed using its proposed changes in tax parameters to simulate its impact within the context of existing legislation (SB 509) on the current 2016 baseline and then subtracting a re-estimated impact of SB 509 using the current 2016 baseline data. Since we are unable to predict future net General Revenue levels that would trip the General Revenue growth trigger, we were restricted to estimate this request as a maximum impact estimate. As such, we assumed that the net General Revenue growth requirement was met every year thereby reducing the top individual income tax rate every year as well as increase the "business income" subtraction every year.

The estimated impact of this proposed bill is the reduction in Net General Revenue in Figure 2 minus the reduction in Net General Revenue in Figure 1. The last column in Figure 3 displays this difference.

Figure 3: Estimated Reduction in Net General Revenue Attributable to SB 611
(Dollar figures are in millions)

Year	Top Tax Rate	Change in Net General Revenue of SB 611 Parameters in the Context of SB 509 Relative to the Base Year (Figure 2)	Change in Net General Revenue of a Re-estimated SB 509 Relative to the Base Year (Figure 1)	Change in Net General Revenue attributable to SB 611 Relative to the Base Year (Figure 2 minus Figure 1)
2018	5.9%	$0	$0	$0
2019	4.8%	($646.007)	($125.994)	($520.013)
2020	4.5%	($961.960)	($247.635)	($714.325)
2021	4.4%	($1,083.783)	($369.471)	($714.312)

Conclusion: We estimate this proposed bill will decrease Net General Revenue by $520.013 million in 2019, $714.325 million in 2020, and $714.312 million in 2021.

ASSUMPTION (continued)

Agency Estimates of Income Tax Changes (in Millions)

Fiscal Year	B&P Estimate	DOR Estimate	EPARC Estimate
FY 2019	$209.1	$207.7	$520.013
FY 2020	$582.2	$578.9	$714.325
FY 2021	$702.5	$698.4	$714.312
Beyond	$716.5	$710.1	$714.312

Oversight has no way to test the estimates provided by B&P, DOR and EPARC; therefore, we will range the impact from low to high.

Bill as a Whole
Officials at the **DOR** estimated the FTE cost in this proposal at $618,363 in FY 2019, $622,568 in FY 2020 and $627,541 in FY 2021. The Department assume it will be able to absorb the above listed FTE costs. If multiple bills pass which require Department resources and updates, the Department could request additional FTE's and related equipment and expenses through the appropriation process.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume a potential unknown positive impact to premium tax revenues may occur as a result of the modification to various tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

Officials at the **Department of Conservation** assume an unknown fiscal impact but greater than $100,000 from the following sections:

§32.070, §144.010, §144.022, §144.049, §144.060, §144.079, §144.082, §144.084, §144.100, §144.105, §144.110, §144.111, §144.112, §144.124, §144.125, §144.190, §144.212, §144.285, §144.517, and §144.526

ASSUMPTION (continued)

The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. Any increase in sales and use tax collected would increase revenue to the Conservation Sales Tax funds. However, the initiative is very complex and may require adjustments to Missouri sales tax law which could cause some downside risk to the Conservation Sales Tax. The Department assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Officials at the **Department of Agriculture** and the **Department of Social Services** each assume there is no fiscal impact from this proposal.

Officials at the **Administrative Hearing Commission** assume this proposal would not significantly alter its caseload. If similar bills pass, resulting in more cases, there will be a fiscal impact.

In total, **B&P** estimates this proposal will decrease Total State Revenue by $202.7 million in FY 2019 and by $377.2 million annually once fully implemented.

The following tables show the revenue impacts per proposal provision and the impacts to each state fund.

ASSUMPTION (continued)

Table 1: **B&P** Revenue Impact by Provision (in millions)

State Impacts	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2038)
Corporate Federal Tax Deduction - Eliminated	$0.0	$109.0	$109.0	$109.0
Change in Corporate Tax Rate	($44.2)	($88.4)	($88.4)	($88.4)
Individual Income Tax Changes	($209.1)	($582.2)	($702.5)	($716.5)
EITC - nonrefundable	$0.0	($61.8)	($61.8)	($61.8)
Withholding Timely Filing Discount - Eliminated	$31.0	$31.0	$31.0	$31.0
Streamlined Sales Tax and Use Agreement	$0.0	$5.0	$10.0	$10.0
Fuel Tax - State Road Fund	$14.6	$73.2	$117.1	$117.1
LIHTC - Authorization Cap	$0.0	$0.0	$0.5	$103.4
Historic Preservation - Authorization Cap	$0.0	$3.0	$11.8	$114.0
Tax Credit Transfer Fees	$15.0	$15.0	$15.0	$15.0
Fee on Tax Credit Issuances	$0.0	$0.0	$0.0	$0.0
Capital Complex Tax Credit	($10.0)	($10.0)	($10.0)	($10.0)
Total Estimated Impact to State Revenues	**($202.7)**	**($506.1)**	**($568.3)**	**($377.2)**
Local Impacts	**FY 2019**	**FY 2020**	**FY 2021**	**Fully Implemented**
Streamlined Sales and Use Tax Agreement	0.0	4.3	8.6	8.6
Show-Me Green Sales Tax Holiday	(0.4)	(0.4)	(0.4)	(0.4)
Back-To-School Sales Tax Holiday	(0.4)	(0.4)	(0.4)	(0.4)
Manufacturing Sales Tax Exemption	(103.7)	(124.4)	(124.4)	(124.4)
Fuel Tax	6.4	31.9	51.1	51.1
Total Estimated Impact to Local Revenues	**($98.1)**	**($89.0)**	**($65.5)**	**($65.5)**

Table 2: Revenue Impact by State Fund (in millions)

State Funds	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2038)
General Revenue	($217.3)	($620.7)	($728.3)	($537.2)
Education	$0.0	$1.2	$2.4	$2.4
Park, Soil, Water	$0.0	$0.1	$0.2	$0.2
Conservation	$0.0	$0.1	$0.3	$0.3
Missouri Senior Service Protection Fund	$0.0	$40.0	$40.0	$40.0
Capital Complex Fund	$4.0	$4.0	$4.0	$4.0
State Road Fund	$14.6	$73.2	$117.1	$117.1

ASSUMPTION (continued)

Officials at the **DOR** assume the table below shows the estimated impacts (in millions) from each provision on Total State Revenue, for the first three years and once fully implemented.

State Impacts	FY 2019	FY 2020	FY 2021	Fully Implemented FY 2038
Corp FIT Deduction-Elimination	$0.0	$109.0	$109.0	$109.0
Corp Tax Rate Reduction	($44.2)	($88.4)	($88.4)	($88.4)
Individual Rate Change/FIT Elimination	($207.7)	($578.9)	($698.4)	($710.1)
EITC-non-refundable	$0.0	($61.8)	($61.8)	($61.8)
Withholding Timely Filing Discount	$31.0	$31.0	$31.0	$31.0
SSTUA	$0.0	$5.0	$10.0	$10.0
Fuel Tax	$14.2	$70.9	$113.2	$113.2
LIHTC Authorization Cap	$0.0	$0.5	$2.4	$103.4
Historic Preservation Tax Credit 5% Transfer Fee	$3.0	$11.8	$32.0	$114.0
Capitol Complex Tax Credit	($10.0)	($10.0)	($10.0)	($10.0)
Total	($198.7)	($495.9)	($546)	(374.7)

ASSUMPTION (continued)

Oversight assumes the many changes to existing programs in this proposal would have an impact on the state. However, Oversight considers this to be an indirect impact of the proposals and will not reflect them in the fiscal note.

This proposal will impact the calculation under Article X, Section 18(e).

FISCAL IMPACT - State Government	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (beyond FY 2038)
GENERAL REVENUE				
Additional Revenue Streamlined Sales & Use Agreement §32.070 p. 4	$0	$5,000,000	$7,100,000	$7,100,000
Additional Revenue Low Income Housing Tax Credit lowered cap §135.352 p. 9	$0	$0	$500,000	$104,000,000
Additional Revenue 5% Fee paid by taxpayers who sell or transfer their tax credits §135.805 p. 10	Up to $15,000,000	Up to $15,000,000	Up to $15,000,000	Up to $15,000,000
Additional Revenue elimination of the corporate federal income tax liability deduction §143.171 p.13	$0	$109,000,000	$109,000,000	$109,000,000

FISCAL IMPACT - State Government (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (beyond FY 2038)
GENERAL REVENUE (continued)				
Additional Revenue - elimination of the withholding timely filing discounts §143.261 p. 15	$30,100,000	$30,100,000	$30,100,000	$30,100,000
Additional Revenue Historic Preservation Tax Credit cap lowered §253.559 p. 19	$0	$0	$32,241,236	$32,241,236
Revenue Reduction Earned Income tax credit §135.760 p. 9	$0	($61,800,000)	($61,800,000)	($61,800,000)
Revenue Reduction Changes to the Individual Income Tax §143.011, §143.111 p. 12	($207,700,000) to ($520,013,000)	($578,900,000) to ($714,325,000)	($698,400,000) to ($714,312,000)	($710,100,000) to ($714,312,000)
Revenue Reduction Corporate Tax Rate Reduction §143.071 p.14	($44,200,000)	($88,400,000)	($88,400,000)	($88,400,000)

FISCAL IMPACT - State Government (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (beyond FY 2038)
GENERAL REVENUE (continued)				
Transfer Out - to Missouri Senior Service Protection Fund §208.1050 p. 16	$0	($40,000,000)	($40,000,000)	($40,000,000)
Revenue Reduction Capitol Complex tax credit §620.3210 p. 21	(Up to $10,000,000)	(Up to $10,000,000)	(Up to $10,000,000)	(Up to $10,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**($216,800,000) to ($529,113,000)**	**($620,000,000) to ($755,425,000)**	**($704,658,764) to ($720,570,746)**	**($612,858,764) to ($617,070,764)**

Note: The fiscal note does not reflect the possibility that some of the tax credits could be or have been utilized by insurance companies against insurance premium taxes. If this occurs, the loss/increase in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

FISCAL IMPACT - State Government (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (beyond FY 2038)
STATE ROAD FUND				
Additional Revenue - increasing motor fuel tax from 17 to 18 cents per gallon §142.803 p. 12	$15,252,441	$15,252,441	$30,504,883	$30,504,883
Additional Revenue - increasing motor fuel tax from 18 to 21 cents per gallon §142.803 p. 12	$0	$45,757,324	$91,514,649	$91,514,649
Cost - DOR computer upgrades §142.803 p. 11	($75,168)	$0	$0	$0
ESTIMATE NET EFFECT ON THE STATE ROAD TAX FUND	**$15,177,273**	**$61,009,765**	**$122,019,532**	**$122,019,532**

FISCAL IMPACT - State Government (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (beyond FY 2038)
PARKS, SOIL & WATER FUND				
Additional Revenue - Streamline Sales & Use Tax Agreement §32.070 p. 4	$0	$100,000	$200,000	$200,000
ESTIMATED NET EFFECT ON PARKS, SOIL & WATER FUND	**$0**	**$100,000**	**$200,000**	**$200,000**
CONSERVATION COMMISSION FUND				
Additional Revenue - Streamline Sales & Use Tax Agreement §32.070 p. 4	$0	$100,000	$300,000	$300,000
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**$0**	**$100,000**	**$300,000**	**$300,000**

FISCAL IMPACT - State Government (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (beyond FY 2038)
SCHOOL DISTRICT TRUST FUND				
Additional Revenue - Streamline Sales & Use Tax Agreement §32.070 p. 4	$0	$1,200,000	$2,400,000	$2,400,000
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**$0**	**$1,200,000**	**$2,400,000**	**$2,400,000**
MO SENIOR SERVICES PROTECTION FUND				
Transfer In - from General Revenue §208.1050 p. 16	$0	$40,000,000	$40,000,000	$40,000,000
ESTIMATED NET EFFECT ON THE MO SENIOR SERVICES PROTECTION FUND	**$0**	**$40,000,000**	**$40,000,000**	**$40,000,000**

FISCAL IMPACT - State Government (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (beyond FY 2038)
CAPITOL COMPLEX FUND				
Donations - value of donations (50% tax credit for cash donations, 30% tax credit for donations of artifacts) §620.3210 p. 22	$0	Up to $20,000,000	Up to $20,000,000	Up to $20,000,000
ESTIMATED NET EFFECT ON THE CAPITOL COMPLEX FUND	**$0**	**Up to $20,000,000**	**Up to $20,000,000**	**Up to $20,000,000**

FISCAL IMPACT - Local Government	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (beyond FY 2038)
LOCAL POLITICAL SUBDIVISIONS				
Additional Revenue Streamline Sales & Use Agreement §32.070 p. 4	$0	$4,300,000	$8,600,000	$8,600,000
Additional Revenue to Cities (15%) & Counties (12%) from increasing the tax from 17 to 18 cents per gallon §142.803 p.12	$5,641,314	$5,641,314	$11,282,628	$11,282,628
Additional Revenue to Cities (15%) & Counties (12%) from increasing the tax from 18 to 21 cents per gallon §142.803 p. 12	$0	$16,923,942	$33,847,884	$33,847,884
Revenue Reduction Cities and Counties not able to opt out of School Tax Holiday §144.049 p. 15	$0	($400,000)	($400,000)	($400,000)
Revenue Reduction Manufacturing Sales Tax Exemption §144.054 p.16	($103,700,000)	($124,400,000)	($124,400,000)	($124,400,000)

FISCAL IMPACT - Local Government (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (beyond FY 2038)
LOCAL POLITICAL SUBDIVISIONS (continued)				
Revenue Reduction Cities and Counties not able to opt out of Show Me Green Sales Tax Holiday §144.526 p.16	($400,000)	($400,000)	($400,000)	($400,000)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**($98,458,686)**	**($98,334,744)**	**($71,469,488)**	**($71,469,488)**

FISCAL IMPACT - Small Business

This proposal would allow Missouri to enter into the Streamlined Sales and Use Tax Agreement, which may allow Missouri to collect use tax from out-of-state sellers that compete with Missouri small businesses. (§32.070)

Small businesses may be impacted by the increase of the motor fuel tax. (§142.803)

Small businesses may be impacted by the elimination of the corporate federal tax deduction. (§143.171)

FISCAL DESCRIPTION

This act modifies several provisions relating to taxation.

INDIVIDUAL INCOME TAX - Current law provides for a reduction in the top rate of income tax over a period of years from 6% to 5.5%, with each cut becoming effective if net general revenue collections meet a certain trigger. Beginning in the 2019 calendar year, this act provides for an additional 1.2% reduction in the top rate of tax. A reduction of 1% will be made on January 1, 2019, and a reduction of 0.2% will be made on January 1, 2020. Such reductions combined with the reduction in current law shall not result in a top rate of tax lower than 4.3%.

This act also provides for an additional 0.2% reduction in the top rate of tax if the U.S. Supreme Court renders a decision, the U.S. Congress passes a law, or the U.S. Constitution is amended, which allows the state to require out-of-state sellers with no physical presence in the state to collect and remit state and local sales taxes.

The Director of Revenue shall adjust the tax tables as provided in the act. (§143.011)

This act repeals a provision of law that allows an employer to retain a percentage of withholding taxes due if such employer remits the withholding taxes on or before the date the taxes are due. (§143.261)

For all tax years beginning on or after January 1, 2019, this act eliminates the state income tax deduction for an individual's federal income tax liability. (§143.171)

CORPORATE INCOME TAX - For all tax years beginning on or after January 1, 2019, this act reduces the corporate income tax rate from 6.25% to 4.25%. (§143.071)

For all tax years beginning on or after January 1, 2019, this act eliminates the state income tax deduction for an corporation's federal income tax liability. (§143.171)

EARNED INCOME TAX CREDIT - This act establishes the Missouri Earned Income Tax Credit Act.

For all tax years beginning on or after January 1, 2019, this act creates a tax credit in the amount of twenty percent of the amount of a taxpayer's federal earned income tax credit. The tax credit shall be applied to a taxpayer's Missouri income tax liability after all reductions for other credits for which the taxpayer is eligible have been applied. The tax credit shall not exceed the amount of the taxpayer's tax liability, and shall not be refundable.

FISCAL DESCRIPTION (continued)

The Department of Revenue shall determine whether a taxpayer who did not apply for the tax credit established by this act is eligible and shall notify such taxpayer of his or her potential eligibility.

The Department shall prepare an annual report regarding the tax credit established by this act containing certain information as described in the act. (§135.760)

MOTOR FUEL TAX - Beginning on January 1, 2019, this act increases the rate of motor fuel tax from \$0.17/gallon to \$0.18/gallon. For all calendar years beginning on or after January 1, 2020, the rate of motor fuel tax shall be increased to \$0.21/gallon. (§142.803)

SENIOR SERVICES PROTECTION FUND - This act requires the Director of the Department of Revenue to calculate the amount of corporate income tax deductions for federal income tax liability claimed during fiscal year 2018. Such calculated amount, not to exceed forty million dollars, shall annually be deposited in the Missouri Senior Services Protection Fund. Moneys in the fund shall be allocated for services for low-income seniors and people with disabilities. (§208.1050)

LOCAL SALES TAX RATES - For all tax years beginning on or after January 1, 2019, this act places a cap of 7.275% on the combined rates of local sales taxes for any given taxing jurisdiction. (§32.087)

STREAMLINES SALES AND USE TAX AGREEMENT - Under this act, the Department of Revenue shall enter into the Streamlined Sales and Use Tax Agreement (SSUTA). The state shall be represented by four delegates in meetings with other states regarding the Agreement. One delegate shall be appointed by the Governor, one shall be a member of the General Assembly appointed by the President Pro Tem of the Senate, one shall be a member of the General Assembly appointed by the Speaker of the House of Representatives, and one shall be the Director of the Department of Revenue or his or her designee. These delegates shall report annually to the General Assembly regarding the agreement. (§32.070)

Any local sales tax changes due to a boundary change shall take effect on the first day of the calendar quarter 120 days after the sellers receive notice of the change.

The effective date for the imposition, repeal, or rate change of each local sales and use tax shall be the first day of the calendar quarter at least 120 days after the sellers receive notice of the change. (§32.087)

FISCAL DESCRIPTION (continued)

This act makes changes to several sections of law relating to local sales taxes in order to make language consistent across sections and to make such sections compliant with the SSUTA. (§66.601 to §94.705, §184.845, §221.407, §238.235, §238.410, §644.032)

The act adds several definitions relating to the application of the sales tax law in order to make interpretation of said sales tax law compliant with the SSUTA. (§144.010)

Certain exemptions from state sales tax are modified to be in compliance with the SSUTA. (§144.030)

The school and Show Me Green sales tax holidays are modified by removing the fifty-dollar per purchase limit on school supplies, by repealing the ability for political subdivisions to opt out of the sales tax holidays, and by defining how the sales tax exemption applies to the purchase or return of certain items. (§144.049 and §144.526)

This act relieves a purchaser from any penalties for failure to pay the proper amount of sales tax if the error was a result of erroneous information provided by the Director of Revenue. (§144.060)

The Director of Revenue shall promulgate a rule allowing for the issuance of a direct pay permit to purchasers, which would allow the purchaser to purchase goods and services without remitting payment of the tax to the seller at the time of purchase. Such purchaser shall determine the amount owed and remit such amount directly to the taxing jurisdiction. (§144.079)

The Director of Revenue shall participate in an on-line registration system that will allow sellers to register in this state and other member states. Registering in the system obligates the seller to collect and remit sales and use taxes for all taxable sales into this state as well as the other member states. Registration in the system shall not be used as a factor for determining nexus with this state. (§144.082)

The Director shall promulgate rules for the remittance of returns, which shall include an allowance for electronic payments and simplified electronic returns, as described in the act. (§144.084)

A certified service provider, as defined in the act, shall not be certified unless it meets certain requirements relating to the security and privacy of purchasers' information, as described in the act. (§144.109)

FISCAL DESCRIPTION (continued)

This act provides uniform sourcing rules for all purchases made in this state. For purchases for which the location where the order is received by the seller and the purchaser receives the product are both in Missouri, the sale shall be sourced to the location where the order is received by the seller, as described in the act. For purchases for which the location where the order is received by the seller and the purchaser receives the product are in different states, the sale shall be sourced to the location where receipt by the purchaser occurs, as described in the act. All sales of motor vehicles, trailers, semi-trailers, water-craft, outboard motors, and aircraft shall be sourced to the address of the owner. For the lease or rental of tangible personal property that requires recurring periodic payments, the first periodic payment shall be sourced to where the order is received by the seller. All subsequent payments shall be sourced to the primary property location for the property, as described in the act. For the lease or rental of tangible personal property that does not require recurring periodic payments, the payment shall be sourced to the location where receipt by the purchaser occurs. (§144.111)

The sale of certain telecommunications service, including internet, mobile telecommunications service, and ancillary service, shall be sourced to the customer's place of primary use. (§144.114)

The Director shall provide and maintain downloadable electronic databases at no cost to the user of the databases for taxing jurisdiction boundary changes, tax rates, and a taxability matrix detailing taxable property and services. Sellers will be relieved from liability if they fail to properly collect tax based upon certain information provided by the department. (§144.123 and §144.124)

Amnesty for uncollected or unpaid sales or use tax shall be granted for sellers under certain circumstances following registration with the state, as described in the act. (§144.125)

This act provides that a cause of action against a seller by a purchaser for a tax erroneously or illegally collected shall not accrue until the purchaser has provided written notice to a seller and the seller has had sixty days to respond. A seller shall be presumed to have a reasonable business practice if in the collection of such tax the seller uses a provider or a system certified by the Director of Revenue and has remitted all tax collected. (§144.190)

Monetary allowances from taxes collected shall be provided to certain sellers and certified service providers for collecting and remitting state and local taxes, as described in the act. (§144.140)

When an exemption is claimed by a purchaser, a seller shall be required to collect certain information, as described in the act. A seller shall be relieved from collecting and remitting tax

FISCAL DESCRIPTION (continued)

if it is determined that the purchaser improperly claimed an exemption. Relief from liability shall not apply to a seller who fraudulently fails to collect tax, or sellers who otherwise improperly accept an exemption certificate, as described in the act. (§144.212)

This act repeals a provision which requires the Director to establish brackets showing the amounts of tax to be collected on sales of specified amounts. Instead, the tax computation shall be carried to the third decimal place, and the tax shall be rounded to a whole cent using a method that rounds up to the next cent whenever the third decimal place is greater than four. (§144.285).

This act provides that all provisions of law with respect to sales into the state by out-of-state sellers apply to the Compensating Use Tax Law. (§144.600)

TAX CREDITS - This act requires that, prior to the sale, assignment, or any other transfer of ownership of a tax credit, the owner of a tax credit shall remit a transfer fee in the amount of five percent of the value of the tax credit to the Department of Revenue. Such fee shall be a liability of the seller.

The Department of Revenue shall provide confirmation to the purchaser that the transfer fee has been paid, and such purchaser shall present the confirmation when redeeming the tax credit.

All fees collected under this provision shall be credited to the General Revenue Fund. (§135.805)

This act requires the Department of Revenue to prepare and submit an annual report to the General Assembly that includes information on each tax credit program, including the administering agency and the number and amount of tax credits authorized, issued, and redeemed for each program. The report shall also include a list of taxpayers and other entities that have received certain tax credits in the previous calendar year, as described in the act. (§135.825)

This act places a requirement on certain economic development tax credit programs that an administering agency not award tax credits to an applicant unless the proposed project provides a net fiscal benefit to the state of at least \$2.50 for each \$1.00 in state benefits awarded. This provision shall apply to the Business Use Incentives for Large-Scale Development (BUILD) Program, the Business Facilities Tax Credit, the Low Income Housing Tax Credit, the Historic Preservation Tax Credit, and the Missouri Works Program. (§100.730, §135.110, §135.352, §253.559, and §620.2010)

FISCAL DESCRIPTION (continued)

LOW INCOME HOUSING TAX CREDIT - This act implements a cap of $60 million on the aggregate amount of tax credits that may be authorized in a given fiscal year under the Missouri Low-Income Housing Tax Credit program.

This act also implements cap of $2 million on the amount of tax credits that may be awarded to a single project in a given fiscal year.

Tax credits shall not be awarded under this program if the Missouri Housing Development Commission determines that the project would result in a net fiscal benefit to the state less than $2.50 for each $1.00 in state benefits awarded, or if the Commission determines that an applicant is not likely to complete the project as proposed. (§135.352)

HISTORIC PRESERVATION TAX CREDIT - Currently, the Department of Economic Development shall not approve tax credits for the rehabilitation of historic structures which, in the aggregate, exceed $140 million, increased by any amount of tax credits for which approval shall be rescinded for any reason. For each fiscal year beginning on or after July 1, 2018, this act reduces the aggregate cap to $30 million.

This act also implements cap of $2 million on the amount of tax credits that may be awarded to a single project in a given fiscal year.

For all fiscal years beginning on or after July 1, 2018, no tax credits shall be authorized under this program for residential projects. (§253.550)

Tax credits shall not be awarded under this program if the Department of Economic Development determines that the project would result in a net fiscal benefit to the state less than $2.50 for each $1.00 in state benefits awarded. Applicants shall also provide evidence of financial stability, creditworthiness, and the ability to complete the project as proposed. (§253.559)

CAPITOL COMPLEX TAX CREDIT ACT - This act creates the Capitol Complex Tax Credit Act.

The Capitol Complex Fund, which is created by this act, shall be authorized to receive any eligible monetary donation, as defined in the act, and shall be segregated into two accounts: a rehabilitation and renovation account, and a maintenance account. Ninety percent of the revenues deposited into the fund shall be placed in the rehabilitation and renovation account and seven and one-half percent of revenues deposited in the fund shall be placed in the maintenance

FISCAL DESCRIPTION (continued)

account. The remaining two and one-half percent of the funds may be used for the purposes of fund-raising, advertising, and administrative costs.

The choice of projects for which money is to be used, as well as the determination of the methods of carrying out the project and the procurement of goods and services, shall be made by the Commissioner of Administration. No moneys shall be released from the fund for any expense without the approval of the Commissioner of Administration.

For all taxable years beginning on or after January 1, 2018, any qualified donor, as defined in the act, shall be allowed a tax credit equal to fifty percent of the monetary donation amount. Any amount of tax credit that exceeds the qualified donor's state income tax liability may be refunded or carried forward for the following four years.

For all taxable years beginning on or after January 1, 2018, a qualified donor shall be allowed a tax credit equal to thirty percent of the value of an eligible artifact donation, as defined in the act. Any amount of tax credit that exceeds the donor's tax liability shall not be refunded for artifacts, but the credit may be carried forward for four subsequent years.

The DED shall not issue tax credits under this act or the Public Buildings Preservation Tax Credit, which is created by this act, in excess of $10 million per year in the aggregate. Donations received in excess of the cap shall be placed in line for tax credits the following year. Alternatively a donor may donate without receiving the credit or may request that their donation is returned.

Tax credits issued for donations under this act are not subject to any fee. Tax credits may be assigned, transferred, sold, or otherwise conveyed.

This act shall sunset six years after August 28, 2018, unless re-authorized by the General Assembly. (§620.3210)

This act also allows the DED to charge a fee in an amount not to exceed one percent of any tax credit issued to a recipient for the rehabilitation of historic structures. Any revenues generated by such a fee shall be deposited in the Capitol Complex Fund. (§620.3200)

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

Administrative Hearing Commission
Callaway County
Department of Agriculture
Department of Conservation
Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Natural Resources
Department of Revenue
Department of Social Services
Joint Committee on Administrative Rules
Missouri Development Finance Board
Missouri Housing Development Commission
Missouri House of Representatives
Missouri Senate
Office of Administration
  Division of Budget and Planning
Office of the Secretary of State
Office of the State Treasurer
St. Louis County Board of Election Commission
University of Missouri's Economic and Policy Analysis Research Center

Ross Strope

Acting Director
January 12, 2018