

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5199-09
Bill No.: HCS for SCS for SB 769
Subject: Banks and Financial Institutions; Political Subdivisions; Public Officers; Saint Louis City; State Treasurer
Type: Original
Date: April 30, 2018

Bill Summary: This proposal modifies provisions relating to financial institutions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	<u>\$0</u>	\$0 or (Unknown) - dependent upon a change to the corporate tax rate in §143.071, if any	\$0 or (Unknown) - dependent upon a change to the corporate tax rate in §143.071, if any
Total Estimated Net Effect on General Revenue	<u>\$0</u>	\$0 or (Unknown) - dependent upon a change to the corporate tax rate in §143.071, if any	\$0 or (Unknown) - dependent upon a change to the corporate tax rate in §143.071, if any

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other State Funds</u>	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	<u>\$0</u>	\$0 or (Unknown) - dependent upon a change to the corporate tax rate in §143.071, if any	\$0 or (Unknown) - dependent upon a change to the corporate tax rate in §143.071, if any

FISCAL ANALYSIS

ASSUMPTION

§148.720 (affects 148.030, §148.140 and §148.620 Bank and Credit Union Annual Tax)

In response to similar provisions in Perfected HCS for HB 2540 (LR 6148-03E) Officials at the **Office of Administration's Division of Budget and Planning (B&P)** assumed this section would reduce the financial taxes paid by banks, credit unions, and savings and loan institutions in the event that the corporate tax rate under §143.071 was reduced. The financial tax rates are to be reduced by an amount proportional to any tax rate reductions in Section 143.071. B&P notes that the current tax rate for financial institutions is 7%. B&P further notes that 2% of collections are deposited into General Revenue while the remaining collections are distributed to locals.

Net collections in FY 2017 totaled \$39.5 million. B&P estimated a reduction in Total State Revenue and General Revenue FY 2020 and a reduction to local revenues.

In response to Perfected HB 2540 (in which the corporate tax rate in §143.071 was reduced from 6.25% to 5%), B&P assumed a reduction to General Revenue of \$200,000 and a reduction to local political subdivisions of \$7.7 million.

Oversight notes this proposal does not make changes to the corporate income tax rate (currently 6.25 percent §143.071). Section 148.720 states that if the corporate tax rate changes, the tax rates on financial institutions will change proportionally. Oversight has prepared fiscal notes on several bills this year that changed the corporate income tax rate, to various different rates. However, without knowing what the corporate tax rate change (if any) is proposed, Oversight will reflect an unknown loss of revenue to the state and local funds, dependent upon the corporate tax rate change.

Officials from the **Office of the State Treasurer** assume the proposal will have no fiscal impact on their organization.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** and **Department of Revenue** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Jackson County Election Board** and **City of Kansas City** assume the proposal will have no fiscal impact on their organization.

ASSUMPTION (continued)

In response to a previous version, officials from the **Platte County Board of Elections**, and **St. Louis County Board of Election Commissioners** each assumed the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from **Callaway County** assumed no fiscal impact on their organization, but if any it would be potentially positive.

In response to a previous version, officials from the **Missouri State University** and **Missouri Western State University** both assumed the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Summersville R2 School District** assumed the proposal will have little to no fiscal impact.

In response to a previous version, officials from the **Kirksville R-III School District** assumed the proposal will have no fiscal impact on their respective organizations.

Officials from the following **cities**: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark City, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles City Administrator, St. Louis City Budget Division, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to **Oversight's** request for fiscal impact.

Officials from the following **counties**: Andrew, Atchison, Audrain, Barry, Benton, Bollinger, Boone, Buchanan, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Clinton, Cole, Cooper, Davies, Dekalb, Dent, Franklin, Greene, Holt, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne, and Worth did not respond to **Oversight's** request for fiscal impact.

Officials from the following **colleges and universities**: Crowder, East Central, Harris-Stowe, Jefferson College, Kansas City Metropolitan Community College, Lincoln University, Moberly Area Community College, Missouri Southern State University, Northwest Missouri State University, Southeast Missouri State University, State Fair Community College, St. Charles Community College, State Technical College of Missouri, St. Louis Community College, Three

ASSUMPTION (continued)

Rivers Community College, Truman State University, the University of Central Missouri and the University of Missouri did not respond to **Oversight's** request for a statement of fiscal impact.

Officials from the following **school districts**: Alton R-IV, Arcadia Valley R-2, Ash Grove R-IV, Ava R-1, Avilla R-13, Bakersfield R-4, Belton School District #124, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Bowling Green R-1, Bradleyville R-1,

Branson, Brentwood, Bronaugh R-7, Campbell R-2, Carrollton R-7, Caruthersville, Central R-III, Chilhowee R-4, Chillicothe R-II, Clarkton C-4, Cole R-I, Columbia, Concordia R-2, Couch R-1, Crawford County R-1, Crawford County R-2, Crocker R-II, Delta C-7, East Carter R-2, East Lynne 40, East Newton R-6, Eldon R-I, Fair Play, Fayette R-3, Forsyth R-3, Fox C-6, Fredericktown R-I, Fulton, Gasconade County R-1, Glenwood R-8, Grain Valley, Green City R-1, Green Ridge R-8, Hallsville R-IV, Hancock Place, Hannibal School District #60, Harrisonburg R-8, Harrisonville, Hartville R-11, Hazelwood, Henry County R-1, Hillsboro R-3, Holcomb R-III, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jasper R-5, Jefferson City, Kansas City, Kennett #39, King City R-1, Kirbyville R-VI, Lathrop R-2, Lee Summit, Leeton R-10, Lewis County C-1, Liberty, Lincoln R-2, Lindbergh, Lonedell R-14, Macon County R-1, Macon County R-IV, Madison C-3, Malta Bend, Maplewood Richmond Heights, Marshfield R-1, Maryville R-II, Maysville R-1, Meadville R-IV, Mehville School District R-9, Meramec Valley R-3, Mexico, Middle Grove C-1, Midway R-1, Milan C-2, Miller R-11, Moberly, Montgomery County R-11, Morgan County R-2, Mountain Grove R-III, Mt. Vernon R-V, New Bloomfield R-III, New Haven, Niangua R-5, Nixa, North Harrison R-3, North Kansas City, North St. Francois Co. R-1, Northeast Nodaway R-5, Northwest R-1, Oak Ridge R-6, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osage County, Osage R-2, Osborn R-O, Parkway, Pattonville, Pettis County R-12, Pierce City R-6, Plato R-5, Polo R-VII, Prairie Home R-5, Princeton R-5, Purdy R-II, Raymore-Peculiar R-III, Raytown, Reeds Springs R-IV, Renick R-5, Republic R-III, Rich Hill R-IV, Richards R-5, Richland R-1, Richmond R-XVI, Riverview

Gardens, Rockwood School District, Salisbury R-4, Sarcoxie R-2, Scotland County R-I, Scott City R-1, Sedalia, Seymour R-2, Shell Knob #78, Sherwood Cass R-5, Sikeston, Silex, Smithville R-2, South Harrison R-11, Southland C-9, Sparta R-III, Special School District of St. Louis County, Spickard R-II, Spokane R-VII, Springfield, St Joseph, St Louis, St. Charles, St. Elizabeth R-4, Stanberry R-III, Stewartsville C-2, Sullivan, Sweet Springs, Trenton R-1x, Valley Park, Valley R-6, Verona R-7, Warren County R-3, Warrensburg R-6, Warsaw R-IX, Waynesville, Webster Groves, Wellsville Middletown R-1, Wentzville R-IV, West Plains R-VII, Westran R-1, Westview C-6, Willard R-2 and the Wright City R-2 School District did not respond to **Oversight's** request for fiscal impact.

FISCAL IMPACT - State Government

FY 2019
(10 Mo.)

FY 2020

FY 2021

GENERAL REVENUE FUND

Loss - Reduction in Financial Institution
 Taxes (\$148.720)

<u>\$0</u>	\$0 or (Unknown) - dependent upon a change to the corporate tax rate in <u>\$143.071, if any</u>	\$0 or (Unknown) - dependent upon a change to the corporate tax rate in <u>\$143.071, if any</u>
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**ESTIMATED NET EFFECT ON
 GENERAL REVENUE FUND**

<u>\$0</u>	\$0 or (Unknown) - dependent upon a change to the corporate tax rate in <u>\$143.071, if any</u>	\$0 or (Unknown) - dependent upon a change to the corporate tax rate in <u>\$143.071, if any</u>
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FISCAL IMPACT - Local Government

FY 2019
(10 Mo.)

FY 2020

FY 2021

POLITICAL SUBDIVISIONS

Loss - Reduction in Financial Institution
 Taxes (\$148.720)

	\$0 or (Unknown) - dependent upon a change to the corporate tax rate in §143.071, if any	\$0 or (Unknown) - dependent upon a change to the corporate tax rate in §143.071, if any
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**ESTIMATED NET EFFECT ON
 POLITICAL SUBDIVISIONS**

<u>\$0</u>	\$0 or (Unknown) - dependent upon a change to the corporate tax rate in §143.071, if any	\$0 or (Unknown) - dependent upon a change to the corporate tax rate in §143.071, if any
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FISCAL IMPACT - Small Business

Small businesses financial institutions could be impacted by this proposal.

FISCAL DESCRIPTION

This proposal would reduce the financial taxes paid by banks, credit unions, and savings and loan institutions in the event that the corporate tax rate under §143.071 was reduced. The financial institution tax rates are to be reduced by an amount proportional to any tax rate reductions in Section 143.071.

Under current law, the State Treasurer and the Treasurer of the City of St. Louis are limited in the types of securities they may require as collateral from banks or financial institutions selected and approved for the safekeeping and payment of deposits. This act adds brokered or negotiable

FISCAL DESCRIPTION (continued)

certificates of deposit that are fully insured by the FDIC or the National Credit Union Share Insurance Fund to the collateral list.

Under current law, any public entity or political subdivision may invest public deposits if, among other things, on the same date that the public funds are deposited the financial institution also receives an amount of deposits from other financial institutions equal to the amount of the public funds deposited. This act repeals this requirement.

Current law provides restrictions on the security of the public funds of specific political subdivisions. This act stipulates that the requirements apply to all political subdivisions of the state. Furthermore, the act also allows banks serving as a depository for public funds to invest in the same manner as the State Treasurer is constitutionally permitted.

Under this act, whenever an account with a bank has been inactive for 12 months or more, the bank is required to notify the account holder of such inactivity through first class mail postage prepaid marked "Address Correction Requested.". Additionally, the bank is required to send annual statements for such account and charge a fee up to \$5 per statement. Such fee shall be withdrawn from the inactive account.


The act also stipulates that the funds of any bank account which has been inactive for a period of five years shall be remitted to the Abandoned Fund Account administered by the State Treasurer.

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

SOURCES OF INFORMATION

Office of the State Treasurer
Department of Insurance, Financial Institutions and Professional Registration.
Office of Administration-Division of Budget and Planning
Department of Revenue
Callaway County
St. Louis County
Jackson County Election Board
Platte County Board of Elections
St. Louis County Board of Election Commissioners
City of Kansas City
Missouri State University
Missouri Western State University
Summersville R2 School District
Kirksville R-III School District

Ross Strope



Acting Director
April 30, 2018