

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5199-09
Bill No.: Truly Agreed To and Finally Passed HCS for SCS for SB 769
Subject: Banks and Financial Institutions; Political Subdivisions; Public Officers; Saint Louis City; State Treasurer
Type: Original
Date: June 28, 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	\$0	(\$200,000)	(\$300,000)
Total Estimated Net Effect on General Revenue	\$0	(\$200,000)	(\$300,000)

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

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 7 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	\$0	(\$7,000,000)	(\$13,900,000)

FISCAL ANALYSIS

ASSUMPTION

§143.433

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this section states that any entity not subject to the corporate income tax shall not have to file documents related to the corporate income tax. B&P notes that while insurance companies may be corporations, they pay a premium tax and not the corporate income tax. B&P estimates that this section will not impact Total State Revenue or the calculation under Article X, Section 18(e).

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

Officials at the **B&P** assume 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.

B&P notes that SB 884 was TAFP'd and signed on 6/1/2018. SB 884 would reduce the corporate tax rate to 4.0% beginning with tax year 2020. B&P estimates that the reduction in the corporate tax rate from 6.25% to 4.0% is approximately 36%. Therefore, B&P estimates that the financial institution tax rates would be reduced from 7.0% to 4.48%.

Based on FY 2017 net collections of \$39.5 million, B&P estimates that this provision will reduce Total State Revenue and General Revenue by \$0.2 million in FY 2020 and \$0.3 million annually, once fully implemented in FY 2021. B&P also estimates that this will reduce local revenues by \$13.9 million once fully implemented.

Oversight will use the estimate provided by B&P for the fiscal note.

Officials from the **Department of Revenue (DOR)** assume this proposed legislation states that if there is/are reduction(s) to the tax rate of Corporate Income Tax imposed under Section 143.071, there shall be a corresponding and proportional reduction in the rate of tax imposed under Sections 148.030, 148.140, and 148.620.

Currently, the rate of Financial Institutions Tax is at 7 percent. SB 884, which was signed by the Governor on Friday June 1, 2018, reduces the taxes imposed under Section 143.071 from 6.25 percent to 4 percent. This is a reduction of approximately 2.52 percent in the tax rate imposed under Section 143.071.

ASSUMPTION (continued)

Subsequently, the new tax rate imposed under Sections 148.030, 148.140, and 148.620 would become 4.48 percent (7 percent minus 2.52 percent). The DOR estimates that a reduction in the tax rate imposed under Sections 148.030, 148.140, and 148.620 would decrease state revenues by \$284,387.00 each fiscal year beginning with FY 2021.

DOR states that Corporate Tax requires one (1) Revenue Processing Technician I (\$26,340 annually) for every 2,600 pieces of additional correspondence that is generated.

Oversight assumes that DOR could absorb the requirements of this proposal with existing resources. Should there be enough correspondence generated to need additional FTE, DOR could seek the FTE through the appropriation process.

Bill as a Whole

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

Officials from the **City of Kansas City** and **St. Louis County** both assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **State Technical College of Missouri** and **Missouri State University** both assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **University of Central Missouri** assume the proposal will have no significant fiscal impact on their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2019	FY 2020	FY 2021
	(10 Mo.)		
GENERAL REVENUE FUND			
<u>Loss - Reduction in Financial Institution</u>			
Taxes (§148.720)	<u>\$0</u>	<u>(\$200,000)</u>	<u>(\$300,000)</u>
ESTIMATED NET EFFECT ON			
GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$200,000)</u>	<u>(\$300,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
POLITICAL SUBDIVISIONS			
<u>Loss - Reduction in Financial Institution Taxes (\$148.720)</u>	<u>\$0</u>	<u>(\$7,000,000)</u>	<u>(\$13,900,000)</u>
ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>(\$7,000,000)</u>	<u>(\$13,900,000)</u>

FISCAL IMPACT - Small Business

Small businesses and financial institutions could be impacted by this proposal.

FISCAL DESCRIPTION

This act modifies several provisions relating to financial transactions.

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 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.

Current law requires certain bids made by banks, associations, or trust companies to be accompanied by a certified check. This act repeals those requirements.

The act provides that any entity not subject to certain corporate taxes shall not be required to complete or file any document or return related to corporate income taxes.

FISCAL DESCRIPTION (continued)

The act provides that in each year in which there is a reduction in the rate of taxes applied to corporations, there shall be a corresponding and proportional reduction in the rate of taxes applicable to banks, credit institutions, and credit unions and savings and loan associations.

Under this act, whenever an consumer deposit account with a banking organization or financial organization has been inactive for 12 months or more and inactivity fees apply to the account, the organization is required to notify the account holder of such inactivity through first class mail postage prepaid marked "Address Correction Requested" or through electronic notice if the consumer has agreed to receive such notices under the federal Truth in Savings Act. 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

Department of Revenue
Department of Insurance, Financial Institutions and Professional Registration
Office of Administration
 Division of Budget and Planning
Office of the State Treasurer
St. Louis County
City of Kansas City
State Technical College of Missouri
Missouri State University
University of Central Missouri

Ross Strobe



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Acting Director
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