

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5294-02
Bill No.: HCS for SB 773
Subject: Taxation and Revenue - Income
Type: Original
Date: May 2, 2018

Bill Summary: This proposal modifies the law regarding taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2022)
General Revenue	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)	(Could Exceed \$3,000,000)
Total Estimated Net Effect on General Revenue	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)	(Could Exceed \$3,000,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2022)
MO Arts Council Trust Fund	\$0	\$0	\$0	\$24,480,000
Library Networking	\$0	\$0	\$0	\$4,080,000
MO Humanities Council Trust	\$0	\$0	\$0	\$4,080,000
MO Public Broadcasting Corp Special Fund	\$0	\$0	\$0	\$4,080,000
Historic Preservation Revolving Fund	\$0	\$0	\$0	\$4,080,000
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0	\$40,800,000

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2022)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2022)
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 (FY 2022)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§67.3000 Amateur Sporting Ticket Sales and the §67.3005 Amateur Sporting Contribution
Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal makes multiple changes to the sports contribution tax credit. It expands the credit to additional college level sporting events, it expands the credit to participant-based events, requires the actual number of tickets or participants to be used when determining the credit amount, and it extends the sunset date from 2018 to 2030.

In addition, B&P notes that this proposal limits the tax credits to \$2,700,000, per year, for Jackson County, St. Louis County, and St. Louis City. This could increase Total State Revenue and General Revenue if this reduces the amount of credits that would otherwise have been awarded.

This proposal may increase Total State Revenue. This proposal may impact the calculation under Article X, Section 18(e).

Officials at the **Department of Economic Development (DED)** assume that it amends the Sporting Event Tax Credit to include “collegiate” events. It makes other changes but leaves the cap on the program at \$2.7 million annually. It extends the sunset from 2018 to 2030. The impact will be \$2.7 million annually starting FY 2019. DED will need to hire one Economic Development Incentive Specialist III (\$53,136) to administer the program.

Oversight notes this proposal extends the sunset on an existing program and expands the credit to allow \$10 for every paid participant registration. However, the cap on the program is unchanged. DED should be able to absorb the duties of the proposal with existing resources.

Officials at the **Department of Revenue** assume there is no fiscal impact from this proposal.

ASSUMPTION (continued)

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Amateur Sporting Ticket Sales tax credit program (§67.3000) had the following activity;

	FY 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Certificates Issued	6	3	15	10	10
Projects	8	3	15	10	10
Amount Authorized	\$728,708	\$942,800	\$5,296,200	\$2,200,000	\$1,800,000
Amount Issued	\$585,735	\$237,050	\$2,175,700	\$2,035,825	\$1,500,000
Amount Redeemed	\$38,610	\$17,800	\$1,316,815	\$500,000	\$500,000

Amount Outstanding - \$1,078,135 Amount Authorized but Unissued - \$3,918,305

Oversight notes this proposal would extend this tax credit from August 28, 2019 to August 28, 2030. This credit is given for 100% of eligible costs or \$5 per admission ticket. This proposal expands the credit to allow \$10 for every paid participant registration. This tax credit has a \$3 million annual cap. This proposal places a limit on all events located in certain areas of the state of \$2.7 million of the total. Per Oversight fiscal note policy, the fiscal note will reflect the extension of this tax credit starting in FY 2022.

Oversight notes that this tax credit requires approval of the sports contract prior to the event being held. Once the event is held and costs are submitted to the agency the credits are issued. Due to the lag time between authorization and issuance of these credits, Oversight assumes the extension of the credit would begin in FY 2022.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Amateur Sporting Contribution tax credit (§67.3005) program had the following activity;

	FY 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Certificates Issued	7	0	13	7	7
Projects	7	0	13	7	7
Amount Authorized	\$14,000	\$20,000	\$18,750	\$20,000	\$20,000
Amount Issued	\$14,000	\$0	\$39,250	\$20,000	\$20,000
Amount Redeemed	\$0	\$0	\$12,500	\$15,000	\$15,000

Amount Outstanding - \$40,750 Amount Authorized but Unissued - \$110,000

ASSUMPTION (continued)

Oversight notes this tax credit is a prepay credit. A person makes a donation to an eligible organization and half the payment is sent to the state by the organization. Upon receipt of the payment by the State, the tax credit is issued. Oversight notes that since the payment is received in advance of the issuance of the tax credit, extending this credit would not fiscally impact the State.

§143.183 Athlete &Entertainers (A&E) tax

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal extends the Athletes and Entertainers tax through tax year 2030. The tax is currently set to expire on December 31, 2020 (FY 2021). This proposal will not impact Total State Revenue or the calculation under Article X, Section 18(e).

In response to the previous version, officials at the **Office of the Secretary of State** assume B&P annually provides the estimated revenue figures for the Out of State Athlete and Entertainer Income Tax. The top income tax rate is currently 6%, and it is assumed that most individuals subject to this tax are assessed at that rate.

In FY 2018, it is estimated \$40,800,000 will be collected with \$800,000 used to support collection development at local public libraries. If the expiration on this tax is extended, it is estimated \$20,400,000 will be collected in FY 2021 (\$400,000 for public libraries) and \$40,800,000 (\$800,000 for public libraries) collected annually through December 31, 2030.

Officials at the **Department of Natural Resources** assume that currently, for all tax years on or after January 1, 1999, through December 31, 2020, the Office of Administration estimates annually the amount of the nonresident athlete and entertainer tax collected. This proposal would extend the December 31, 2020 expiration date of the nonresident entertainer and professional athletic team income tax to December 31, 2030.

Subject to appropriation, ten-percent of this tax is allocated annually and transferred from General Revenue to the Historic Preservation Revolving Fund to be made available for historic preservation efforts. This proposed legislation would allow the department to continue historic preservation efforts in Missouri. The potential impact would be outside the fiscal impact period.

Officials at the **Department of Revenue** assume there is no fiscal impact from this proposal.

Officials at the **Department of Economic Development** and the **Missouri Arts Council** each assume there is no fiscal impact from this proposal.

ASSUMPTION (continued)

Oversight notes that §143.183, allows for the revenues from the nonresident tax on athletes and entertainers to be distributed to cultural entities in Missouri - 60% of the funds to the Missouri Arts Council Trust Fund (0262); and 10% each to the Library Networking Fund (0822) for public libraries to purchase library materials; 10% to the Missouri Humanities Council Trust Fund (0177); 10% to the MO Public Broadcasting Corporation Special Fund (0887) for public television and public radio stations; and 10% to the Missouri Department of Natural Resources for the Missouri Historic Preservation Revolving Fund (0430). Extending the expiration on this tax from December 31, 2020 (FY 2021) to December 31, 2030 (FY 2031) would continue this revenue source to these funds.

The nonresident tax on athletes and entertainers has brought in the following amounts:

FY 2018 (as of date)	\$22,036,517
FY 2017	\$36,881,364
FY 2016	\$41,798,273
FY 2015	\$41,079,962
FY 2014	\$35,585,312

Using the projected estimated of FY 2018 of \$40,800,000 the funds would receive the following amounts:

Missouri Arts Council Trust Fund	\$24,480,000
Library Networking Fund	\$ 4,080,000
Missouri Humanities Council Trust Fund	\$ 4,080,000
MO Public Broadcasting Corporation Special Fund	\$ 4,080,000
Missouri Historic Preservation Revolving Fund	\$ 4,080,000

Per fiscal note policy, **Oversight** will show the impact to these funds beginning in FY 2022.

§143.451 Intercompany Transactions

Officials at the **Office of Administration Division of Budget and Planning** assume this proposal states that sales and business transactions shall not include intercompany transactions between corporations that file a consolidated return. B&P notes that under this proposal some corporations filing a consolidated return may have a positive impact on their tax liability, while others may have a negative impact to their tax liability. B&P is unable to determine which impacts, in the aggregate, would be greater. Therefore, due to these data limitations, B&P cannot estimate an exact impact from this proposal. However, this proposal may have an unknown impact on Total State Revenue and General Revenue.

Officials at the **Department of Revenue** assume an unknown fiscal impact.

JH:LR:OD

**FISCAL IMPACT -
 State Government**

FY 2019
 (10 Mo.)

FY 2020

FY 2021

Fully
 Implemented
 (FY 2022)

**GENERAL
 REVENUE**

Revenue -
 corporations income
 tax filing changes
 §143.451

Unknown to
 (Unknown)

Unknown to
 (Unknown)

Unknown to
 (Unknown)

Unknown to
 (Unknown)

Revenue Reduction -
 extension of the
 Amateur Sporting
 Ticket Sales tax
 credit sunset date
 §67.3000

\$0

\$0

\$0

(Up to
\$3,000,000)

**ESTIMATED NET
 EFFECT ON
 GENERAL
 REVENUE**

**Unknown to
 (Unknown)**

**Unknown to
 (Unknown)**

**Unknown to
 (Unknown)**

**(Could Exceed
\$3,000,000)**

**MO ARTS
 COUNCIL TRUST
 FUND**

Additional Revenue
 - extension of the
 nonresident
 entertainer and
 professional athlete
 income tax

\$0

\$0

\$0

\$24,480,000

**ESTIMATED NET
 EFFECT ON MO
 ARTS COUNCIL
 TRUST FUND**

\$0

\$0

\$0

\$24,480,000

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2022)
LIBRARY NETWORKING FUND				
<u>Additional Revenue</u> - extension of the nonresident entertainer and professional athlete income tax	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,080,000</u>
ESTIMATED NET EFFECT ON LIBRARY NETWORKING TRUST FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,080,000</u>
MO HUMANITIES COUNCIL TRUST FUND				
<u>Additional Revenue</u> - extension of the nonresident entertainer and professional athlete income tax	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,080,000</u>
ESTIMATED NET EFFECT ON MO HUMANITIES COUNCIL TRUST FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,080,000</u>

FISCAL IMPACT -
State Government

FY 2019
 (10 Mo.)

FY 2020

FY 2021

Fully
 Implemented
 (FY 2022)

**MO PUBLIC
 BROADCASTING
 CORP SPECIAL
 FUND**

Additional Revenue

- extension of the
 nonresident
 entertainer and
 professional athlete
 income tax

\$0

\$0

\$0

\$4,080,000

**ESTIMATED NET
 EFFECT ON MO
 PUBLIC
 BROADCASTING
 CORP SPECIAL
 FUND**

\$0

\$0

\$0

\$4,080,000

**HISTORIC
 PRESERVATION
 REVOLVING
 TRUST FUND**

Additional Revenue

- extension of the
 nonresident
 entertainer and
 professional athlete
 income tax

\$0

\$0

\$0

\$4,080,000

**ESTIMATED NET
 EFFECT ON
 HISTORIC
 PRESERVATION
 TRUST FUND**

\$0

\$0

\$0

\$4,080,000

JH:LR:OD

<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2022)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill re-authorizes the Amateur Sporting Events Tax Credit until August 28, 2030, while making various other changes. Bid fees and financial guarantees are added to the definition of "eligible costs" used to determine the amount of a tax credit authorized, and extends the deadline for a tax credit applicant to submit eligible costs and proper documentation from 30 to 90 days following the conclusion of a sporting event. The bill also adds the Amateur Athletic Union, the National Christian College Athletic Association, the National Junior College Athletic Association, the United States Sports Specialty Association, and rights holder members of the National Association of Sports Commissions to the list of "site selection organizations" that determine tax credit qualifying sporting events. The definition of "sporting events" is then expanded to include collegiate competitions.

The bill further provides that the tax credit authorized by the Amateur Sporting Events Tax Credit program for the hosting of a qualifying sporting event shall be the least of 100% of eligible costs, an amount equal to \$5 for every admission ticket, or an amount equal to \$10 for every paid participant registration if the sporting event did not sell admission tickets. The latter two values shall be calculated using the actual number of tickets sold or registrations paid, not estimates.

Currently, the revenue generated from an income tax on certain nonresident athletes and entertainers is distributed among several funds. Such distributions will currently end on December 31, 2020. This act extends the distributions until December 31, 2030. (§143.183)

This bill changes the calculation of taxable income of corporations. (§143.451)

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 Economic Development
Department of Natural Resources
Department of Revenue
Missouri Arts Council
Office of Administration Division of Budget and Planning
Office of the Secretary of State

Ross Strobe

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized flourish at the end.

Acting Director
May 2, 2018