COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6148-03
Bill No.: Perfected with Effective Dates HCS for HB 2540
Subject: Taxation and Revenue - General, Tax Incentives, Taxation and Revenue - Sales and Use, Taxation and Revenue - Income, Department of Revenue, Corporations, Gambling, Elderly, Public Assistance, Health Care
Type: Original
Date: April 17, 2018

Bill Summary: This proposal changes the laws regarding state revenues.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
General Revenue	$33,940,415	($53,978,937)	($129,596,761)	$23,020,264
Total Estimated Net Effect on General Revenue	**$33,940,415**	**($53,978,937)**	**($129,596,761)**	**$23,020,264**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 72 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
Conservation Commission	$100,000	$493,000	$893,000	$893,000
Parks, Soil & Water	$0	$500,000	$800,000	$800,000
School District Trust	$400,000	$4,300,000	$7,600,000	$7,600,000
Other Managed Care Organization*	$0*	$0*	$0*	$0*
Mo Senior Services Protection Fund	$0	$0	$40,000,000	$40,000,000
Emergency Bridge Repair & Replacement Fund	$0	$0 or Unknown	$0 or Unknown	$0 or Unknown
Gaming Commission	$0	(Could Exceed $200,993)	(Could Exceed $176,303)	(Could Exceed $179,837)
Gaming Proceeds for Education Fund	$0	(Could Exceed $175,049)	(Could Exceed $210,059)	(Could Exceed $210,059)
State Highway Fund	$0	$76,368,779	$152,737,558	$152,737,558
Motorcycle Safety Fund	$0	$101	$202	$202
Highway Patrol Water Patrol Fund	$0	$1,291,593	$2,583,185	$2,583,185
Total Estimated Net Effect on Other State Funds	**$500,000**	**$82,577,431**	**$204,227,583**	**$204,224,049**

* Provider tax income and DSS program costs net to zero.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
Federal Funds*	$0*	$0*	$0*	$0*
Total Estimated Net Effect on All Federal Funds	$0*	$0*	$0*	$0*

* Provider tax income and DSS program costs net to zero.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
General Revenue	0 or 3 FTE	1 or 4 FTE	1 or 4 FTE	1 or 4 FTE
Gaming Commission	0 FTE	2 FTE	2 FTE	2 FTE
Federal	0 FTE	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	**0 or 3 FTE**	**4 or 7 FTE**	**4 or 7 FTE**	**4 or 7 FTE**

☒ 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 2023)
Local Government	**$0 or ($400,000)**	**$36,356,259**	**$73,712,518**	**$73,712,518**

FISCAL ANALYSIS

ASSUMPTION

TAXATION

§32.005 and §32.006 Department of Taxation and Revenue
Officials at the **Department of Revenue** (**DOR**) assume this section would require that the Department of Revenue to operate under the name the "Department of Taxation and Revenue." The proposed legislation clarifies that any reference in the laws, rules, or regulations of Missouri referring to DOR by either name refers to the department created under article IV, section 22 of Missouri's Constitution.

The Department believes this proposed section may decrease state revenues by an estimated $530,123 due to the changes that would need to take place Department wide.

Administrative Impact: The following is an estimated breakdown for impact of changing the Department's name on all forms, procedures, and website:

Forms .(600 hours @ $19.45/hr)...	$11,670.00
This does not include cost for any publication or form if the items had to be destroyed & reprinted	
Procedures (170 hours @ $15.92/hr.).	$2,706.00
Website .(120 hours @ $23.88/hr.)	$1,910.00
GRAND TOTAL	$16,286.00

Driver License Bureau (DLB)

This proposed language would require updates to the Missouri Driver License (MODL) system to all correspondence and system-generated notices to make the necessary name changes. This would require testing to ensure that all necessary documents are updated.

FY 2018

Administrative Analyst I - 160 hrs @ 14.70 per hr =	$2,352
Management Analyst Specialist II - 160 hrs @ $20.57 per hr =	$3,291
Total	$5,643

ITSD will need to make changes to the various systems which is estimated to cost $508,123.

ASSUMPTION (continued)

Oversight notes this proposal requires the switch in the name upon the bill being effective. However, an amendment added to the bill allows the replacement of materials as they are depleted or expire as long as the transition is complete in two years. Oversight notes that DOR has recalculated the potential costs to be $530,052. Oversight will show this cost in FY 2020 per the date change in the proposal.

Officials at the **Office of Administration Division of Budget and Planning** (**B&P**) assume these sections would statutorily change the name of the Department of Revenue to the Department of Taxation and Revenue. B&P notes that the department would still be referenced as the Department of Revenue within the Missouri Constitution. This proposal would grant DOR two years to adopt the new department name. B&P estimates that these sections will not impact Total State Revenue or the calculation under Article X, Section 18(e).

§32.070, Provisions in Chapters 67 & 144 - Streamlined Sales and Use Tax Agreement (SSUTA)
Officials at the **B&P** assume this section directs the director of the Department of Revenue to join the Streamlined Sales and Use Tax Agreement. Based on actual SSUTA collections in other states, B&P estimates this proposal could generate $21.2 million in Total State Revenues annually, between General Revenue, Conservation Commission Fund, Parks, Soil & Water Fund and the School District Trust Fund. However, the full amount may not be collected during the first year, due to the administrative processes of becoming a full-member state of the SSUTA. B&P notes that some of the increase to local tax collections will be offset by the removal of exemptions from sales tax holidays.

Fund Affected	**FY 2019**	**FY 2020**	**FY 2021**
General Revenue	$0	$7,500,000	$15,100,000
Conservation	$0	$300,000	$600,000
Parks, Soil & Water	$0	$300,000	$500,000
School District Trust	$0	$2,500,000	$5,000,000
Total	$0	$10,600,000	$21,200,000

B&P notes that the remaining sections of this proposal that contain SSUTA language have a contingent effective date. Section D states that those sections are not to be enacted until the January of the following year after the United States Supreme Court has upheld the Quill decision by the ruling in South Dakota v. Wayfair, Inc. B&P further notes that Section 32.070,

ASSUMPTION (continued)

which directs DOR to join the SSUTA, is not included in Section D. B&P also notes that a ruling in the South Dakota v. Wayfair case is expected to be released this calendar year. Therefore, for the purpose of this fiscal note, B&P will assume that Missouri will join the SSUTA and that the additional SSUTA provisions in this proposal would become effective January 1, 2019.

Officials at the **Department of Revenue** (**DOR**) assume this section of law may allow the state to enter the Streamlined Sales and Use Tax Agreement, which may allow Missouri to collect use tax from out-of-state sellers. If compliant, this may increase State Revenue by an estimated $21.2 million, once fully implemented.

The Excise Tax Section will require two Revenue Processing Technicians ($26,340) for return processing and correspondence. The Sales Tax Section does not envision an FTE impact for the Sales Tax area, but rule writing will create a significant impact for which we will need additional managerial assistance. Sales Tax requires one Management Analyst Specialist I ($38,304).

The Integrated Tax System will incur additional costs of $662,114 to implement the provisions of this legislation.

Oversight will show the FTE and computer upgrade costs in the fiscal note.

Officials at the **Department of Natural Resources** (**DNR**) assume the SSUTA focuses on improving sales and use tax administration systems for all sellers and for all types of commerce. The SSUTA applies primarily to the retail transactions by sellers who do not have a physical location in the state. According to a 2009 University of Tennessee study - State and Local Sales Tax Revenue Losses from Electronic Commerce, total state revenues that Missouri could gain from collecting sales tax on e-commerce in FY 2012 is estimated at $210 million.

The Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Any increase in sales tax collected would increase revenue to the Parks and Soils Sales Tax Funds.

The Department assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

In response to the previous version, officials at the **Department of Conservation** assumed an unknown fiscal impact but greater than $100,000. 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

ASSUMPTION (continued)

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.

Oversight notes that B&P and DOR estimate the increased revenue to the state would be $10.6 million in FY 2020 and $21.2 million each fiscal year starting in FY 2021. Both estimate the local political subdivisions would receive $9.1 million in FY 2020 and $18.3 million each fiscal year starting in FY 2021. Oversight will show in the fiscal note the projections by B&P and DOR.

Oversight notes that Section C of this proposal sets the effective date of these provisions based on a decision in the South Dakota v. Wayfair Inc. case pending at the U. S. Supreme Court. Should the Supreme Court affirm the decision that prevents states from colleting sales and use tax on purchases from out-of-state retailers this provision is to become effective January 1 after the decision is handed down. The case is pending before the Supreme Court currently and the decision will be handed down during the summer of 2018, so the earliest this provision would go into effect is January 1, 2019. Oversight will show the impact as $0 (court rules states can collect the tax and this provision will not be effective) to the estimates provided by B&P and DOR if these provisions becomes effective.

§32.087 Local Sales Tax
Officials at the **B&P** assume this would change the local sales and use tax laws regarding motor vehicles. Any changes made to local rates or items taxed must still be voter approved. Therefore, B&P estimates that this proposal will not have a statewide, Total State Revenue, or 18(e) impact.

§32.200, §143.451, §143.456, §143.461 Apportionment Method
Officials at the **B&P** assume that beginning with tax year 2019, this section would end the 3-factor and single-factor corporate income allocation methods. Based on information provided by DOR, B&P estimates that this section would increase Total State Revenue and General Revenue by $70.8 million in FY 2020 and $141.6 million in FY 2021 and annually thereafter.

Officials at the **DOR** assume these proposed sections would remove Corporate Method One – Multistate Allocation and Three Factor Apportionment and Method Two – Business Transaction Single Factor Apportionment to be replaced by the Optional Single Sales Factor Apportionment. The Department estimates that this could potentially increase state revenues by an estimated $141.6 million.

ASSUMPTION (continued)

§34.040, §34.042, §34.044, §34.047, and §34.353 State Purchasing
Officials at the **B&P** assumes these sections would change the purchase threshold before a competitive bid was required. It also requires that the "lowest and best" bids include both the bid price and the quality of the bid. B&P defers to OA for more specific information on these provisions. B&P estimates that these sections will not impact Total State Revenue or the calculation under Article X, Section 18(e).

Officials from the **Office of Administration's Division of Purchasing** and the **Division of Information Technology Services** each assume the proposal will have no fiscal impact.

Officials from the **Department of Natural Resources** defer to the Office of Administration to estimate the fiscal impact of the proposed legislation on their organization.

Officials at the **Department of Social Services** assume this bill changes the purchasing requirements in Chapter 34, raising the amount at which bids are required to ten thousand dollars, raising the amount at which advertisements are required to one hundred thousand dollars and allowing for reverse auctions. It also prohibits the use of cost-only bids. Many items such as food, supplies, trash hauling, etc., do not include a "quality" component and are currently procured with cost-only considerations. This legislation will add time to the procurement process and require additional resources. Two Procurement Officer II positions are needed to secure all contracts in this manner. They are funded using 100% General Revenue.

Oversight notes that §34.040 and §34.042 raises the cap on the amount that has to be bid from $3,000 to $10,000. Additionally, this proposal allows the Commissioner of Administration to hold reverse auctions. Oversight assumes by raising the competitive bidding amount requirements and authorizing the Commissioner of Administration to hold a reverse auction for materials, there could be a savings to the General Revenue Fund in advertising for bids and/or cost of materials. However, Oversight is unclear on the amount of savings. Therefore, Oversight will reflect a positive unknown to the General Revenue Fund when this proposal starts in FY 2020.

Oversight notes §34.044 raises the minimum bidding amount for items purchased from a single feasible source and §34.047 raises the minimum bidding amount on information technology products and services. Oversight assumes these changes would result in a savings from fewer items being bid. Therefore, Oversight will reflect a positive unknown to the General Revenue Fund when this proposal starts in FY 2020.

ASSUMPTION (continued)

§100.286 and §100.297 Missouri Development Finance Board (MDFB) Infrastructure Tax Credit
Officials at the **DOR** assume in Section 100.297, the board may authorize a tax credit, as described in this section, to the owner of any revenue bonds or notes issued by the board pursuant to the provisions of §100.250 to §100.297, for infrastructure facilities as defined in subdivision (9) of §100.255, if, prior to the issuance of such bonds or notes, the board determines that: the availability of such tax credit is a material inducement to the undertaking of the project in the State of Missouri and to the sale of the bonds or notes; the loan with respect to the project is adequately secured by a first deed of trust or mortgage or comparable lien, or other security satisfactory to the board. Upon making the determinations specified in subsection 1 of this section, the board may declare that each owner of an issue of revenue bonds or notes shall be entitled, in lieu of any other deduction with respect to such bonds or notes, to a tax credit against any tax otherwise due by such owner pursuant to the provisions of Chapter 143, excluding withholding tax imposed by §143.191 to §143.265 (instead of §143.191 to §143.261), chapter 147, or chapter 148, in the amount of one hundred percent of the unpaid principal of and unpaid interest on such bonds or notes held by such owner in the taxable year of such owner following the calendar year of the default of the loan by the borrower with respect to the project.

Officials at the **B&P** assume these sections would no longer allow the MDFB Infrastructure tax credit to be applied to retirement income withholding. Based on information provided by DOR, this tax credit has never been used against such income tax withholding. Therefore, B&P estimates that this provision will not impact Total State Revenue or the calculation under Article X, Section 18(e).

In response to the previous version, officials at the **Missouri Development Finance Board** deferred to the Department of Economic Development for fiscal impact.

§135.025 - §135.030 Senior Property Tax Credit (PTC)
Officials at the **B&P** assume these sections would no longer allow a PTC claim for renters. Based on information provided by DOR, in FY 2017 there were $53.9 million in PTC claims by renters. B&P notes that the renter portion was repealed, rather than ended with a specific date. B&P further notes that this proposal would go into effect during tax year 2020. For the purposes of this fiscal note, B&P assumes that the PTC would no longer be available for renters starting with tax year 2020. Therefore, B&P estimates that this provision will increase Total State Revenue and General Revenue by $53.9 million annually beginning in FY 2021.

Officials at the **DOR** assume the property taxes accrued (no longer including rent constituting property taxes accrued) on each return shall be totaled. This total, up to eleven hundred dollars in actual property tax paid, (no longer including seven hundred fifty dollars in rent constituting property taxes actually paid) shall be used in determining the property tax credit.

ASSUMPTION (continued)

Section §135.030 removes the rent equivalent paid up to $750 that was used to determine the property tax from a table of credits based upon the amount by which the total property tax described in Section 135.025 exceeds the percent of income. This is estimated to increase revenues by $53.9 million annually.

Officials at the **University of Missouri's Economic and Policy Analysis Research Center** assume that according to the latest 2016 data, the renters' portion of the senior citizens property tax credit amounts to $50.752 million in credits. By repealing the renters' portion of the senior citizens property tax credit we estimate an increase in Net General Revenue of $50.752 million.

Oversight notes the effective date of this provision is January 1, 2020 (FY 2020) and therefore will show the impact starting in the year in which the tax returns are filed which is FY 2021. Oversight will use the estimate provided by B&P and DOR of $53.9 million.

§135.110 Business Facility Tax Credit
Officials at the **DOR** assume that notwithstanding any provision of law to the contrary, any taxpayer may sell, assign, exchange, convey or otherwise transfer tax credits allowed in subsection 9 of this section under the terms and conditions prescribed in subdivision (1) and (2) of this subsection. Such taxpayer, referred to as the assignor for the purpose of this subsection, may sell, assign, exchange or otherwise transfer earned tax credits: for no less than seventy-five percent of the par value of such credits; and in an amount not to exceed one hundred percent of such earned credits. The taxpayer acquiring the earned credits referred to as the assignee for the purpose of this subsection may use the acquired credits to offset up to one hundred percent of the tax liabilities otherwise imposed by Chapter 143, excluding withholding tax imposed by §143.191 to §143.265 (instead of §143.191 to §143.261). or chapter 148, or in the case of an insurance company exempt from the thirty percent employee requirement of §135.230, against any obligation imposed pursuant to §375.916.

Officials at the **B&P** assume this section would no longer allow the Business Facility tax credit to be applied to retirement income withholding. Based on information provided by DOR, this tax credit has never been used against such income tax withholding. Therefore, B&P estimates that this provision will not impact Total State Revenue or the calculation under Article X, Section 18(e).

§135.305 Wood Energy Tax Credit
Officials at the **DOR** assume a Missouri wood energy producer shall be eligible for a tax credit on taxes otherwise due under Chapter 143, except §143.191 to §143.265 (instead of §143.191 to §143.261), as a production incentive to produce processed wood products in a qualified wood producing facility using Missouri forest product residue.

ASSUMPTION (continued)

Officials at the **B&P** assume this section would no longer allow the Wood energy tax credit to be applied to retirement income withholding. Based on information provided by DOR, this tax credit has never been used against such income tax withholding. Therefore, B&P estimates that this provision will not impact Total State Revenue or General Revenue.

§135.313 Charcoal Producers Tax Credit
Officials at the **DOR** assume any person, firm or corporation who engages in the business of producing charcoal or charcoal products in the State of Missouri shall be eligible for a tax credit on income taxes otherwise due pursuant to Chapter 143, except §143.191 to §143.265 (instead of §143.191 to §143.261), as an incentive to implement safe and efficient environmental controls.

Officials at the **B&P** assume this section would no longer allow the Charcoal Producers tax credit to be applied to retirement income withholding. Based on information provided by DOR, this tax credit has never been used against such income tax withholding. Therefore, B&P estimates that this provision will not impact Total State Revenue or the calculation under Article X, Section 18(e).

§137.010 Solar Energy Systems
Officials at the **B&P** assumes this proposal adds "solar energy systems" to the definitions for property. B&P notes that solar energy systems are already exempt from property taxes under Section 137.100(10). Therefore, B&P estimates that this section will not impact Total State Revenue or the calculation under Article X, Section 18(e).

§135.760 Missouri Earned Income Tax Credit
Officials at the **B&P** assume this proposal creates the Missouri Earned Income Tax Credit. Beginning with tax year 2020, resident taxpayers shall be granted a non-refundable tax credit equal to 20% of their federal EITC. Using tax year 2015 data, the most recent year available, and accounting for the federal tax reform that took effect January 1, 2018, B&P estimates that this provision will reduce Total State Revenue and General Revenue by $34.1 million in FY 2021 and annually thereafter.

Officials at the **DOR** assume this proposed section establishes the Missouri Earned Income Tax Credit Act. This credit would be equal to 20 percent of the taxpayer's federal Earned Income Tax Credit, not to exceed the taxpayer's tax. The Department estimates that this Missouri Earned Income Tax Credit could potentially decrease state revenues by an estimated $61.8 million each year when fully implemented.

In response to similar legislation filed this year, SB 939, officials at the **EPARC** assumed this bill would create the Missouri Earned Income Tax Credit Act, authorizing an individual income

ASSUMPTION (continued)

tax credit equal to 20% of any earned income tax credit claimed by the taxpayer on the federal income tax return. This credit will not be refundable.

The individual income tax for Missouri (2016) is the baseline for the analysis and takes into account the Federal Tax Cuts and Jobs Act and shows Net Tax Due equals $5,454,004. If the aforementioned tax credit is implemented, Net Tax Due reduces to $5,411,647. This translates into a decrease in Net General Revenue of $42.357 million.

Note: The increase seen in the General Tax Credits figure is the complete measure of 20% of Missouri filers' Federal Earned Income Credit. Many filers are able to reduce their tax burden to zero before using their entire credit. Because this tax credit does not allow the remainder to be refunded to the filer, our impact estimation is only concerned with the reduction in Net Tax Due. To reiterate, our estimate is this bill will reduce Net General Revenue by $42.357 million.

Oversight notes this proposal allows for a 20% credit of the federal earned income tax credit in FY 2020. Oversight will show the impact in the year the tax returns would be filed.

§143.011, §143.021, §143.022, §143.151, §143.161 and §143.171 Individual Income Tax Rate
Officials at the **B&P** assume that beginning with tax year 2020: §143.011 would create a top income tax rate of 5%, the section also repeals trigger dependent income tax cuts, and ends the inflation adjustment for the tax brackets. Section 143.021 would begin adjusting the tax brackets for inflation starting with the 2021 tax year.

Section 143.022 would limit the pass-through business exemption to the 5% allowed under current law. B&P notes that as of tax year 2018, the first phase-in of the business pass-through exemption was triggered due to net general revenue growth. B&P further notes that while the pass-through exemption could have begun as early as tax year 2017, net general revenue growth was not sufficient to meet the trigger required for the first phase-in. B&P also notes that this proposal corrected the date to reflect that the 5% pass-through exemption began in tax year 2019.

Section 143.151 would end the personal exemption and low-income deduction for tax years after 2017. B&P notes that due to changes in the federal tax reform package that took effect January 1, 2018, both the Missouri personal exemption and the low-income deduction ended once the federal reform was enacted.

ASSUMPTION (continued)

Section 143.161 would end the dependency and stillbirth exemptions and surviving spouse tax filers for tax years after 2017. B&P notes that due to changes in the federal tax reform package that took effect January 1, 2018 both the Missouri dependency and stillbirth exemptions ended once the federal reform was enacted. B&P further notes that the head of household / surviving spouse deduction is based on filing status and did not end with the enactment of the federal tax reform.

This proposal would now end the head of household deduction beginning with tax year 2018 (the amendment did not change this provision), the amendment will also leave the pass through business exemption at the current 5% rate beginning with tax year 2019 while shifting all the other changes to individual income tax to tax year 2020.

Federal Taxable Income		
Min	Max	FIT Deduction Allowed
$0	$25,000	100%
$25,001	$50,000	75%
$50,001	$75,000	50%
$75,001	$100,000	25%
$100,001	$150,000	10%
$150,001		0%

Based on 2015 tax year data, the most current and complete year available, B&P estimates that the provisions will decrease Total State Revenue and General Revenue by $164.5 million in FY 2020. Once fully implemented, these provisions will decrease Total State Revenue and General Revenue by $242.3 million.

ASSUMPTION (continued)

The following table shows (in millions of dollars) the estimated impact by tax year.

Tax Year	General Revenue Impact
2018	$20.00
2019	$31.9
2020	($435.8)
2021	($338.4)
2022	($242.3)

The following table shows (in millions of dollars) the estimated impact by fiscal year.

Fiscal Year	General Revenue Impact
2019*	$33.4
2020	($164.5)
2021	($394.9)
2022	($298.1)
2023	($242.3)

* Includes the elimination of the head of household deduction in tax year 2018 and retaining the pass through business income exemption at 5% beginning with TY 2019.

Officials at the **DOR** assume a tax is hereby imposed for every tax year on the Missouri taxable income of every resident. The tax shall be determined by applying the tax table provided in §143.021 which is based on the following rates:

If Missouri taxable income is:	The tax is:
Not over $1,000	1 ½ % of the Missouri taxable income
Over $1,000 but not over $2,000	$15 plus 2% of excess over $1,000
Over $2,000 but not over $3,000	$35 plus 2 ½ % of excess over $2,000
Over $3,000 but not over $4,000	$60 plus 3% of excess over $3,000
Over $4,000 but not over $5,000	$90 plus 3 ½% of excess over $4,000
Over $5,000 but not over $6,000	$125 plus 4% of excess over $5,000
Over $6,000 but not over $7,000	$165 plus 4 ½% of excess over $6,000
Over $7,000	$210 plus 5% of excess over $7,000

ASSUMPTION (continued)

These brackets are not subject to reduction or adjustments due to inflation.

Every resident having a taxable income shall determine his or her tax from a tax table prescribed by the director of revenue and based upon the rates provided in Section 143.011. The director shall publish such tax table on or before the October first that immediately precedes the calendar year for which the tax table shall apply.

This proposed change in §143.022 eliminates the increase in the deduction a pass through entity may deduct from their income, keeping it at 5%. Currently, a pass-through entity can deduct 5% from its 2017 Missouri taxable income. The amount of the deduction was set to increase 5% each year if certain net general revenue limits are met up to a maximum 25% deduction. DOR has included the estimate of this provision in with the individual income tax changes.

The Department believes these proposed sections may decrease state revenues by $164.5 million in FY 2020 and $242.3 million when fully implemented in FY 2023.

EPARC Calculation
Officials at the **EPARC** assume they will restrict their analysis to those changes pertaining to the individual income tax. It would reduce the maximum individual income tax rate to 5% and eliminate the top two tax brackets. It would freeze the business income subtraction at its current level of 5%. This bill would create the Missouri Earned Income Tax Credit equal to 20% of filers' federal income tax credit. This credit is non-refundable. This bill ends personal exemptions by 2018. This bill would restrict the federal income tax deduction for certain incomes in the following manner:

If the federal taxable income is:	The deduction is:
Not over $25,000 …	100% of the federal tax liability for such taxable income
Over $25,000 but not over $50,000	75% of the federal tax liability for such taxable income
Over $50,000 but not over $75,000 …	50% of the federal tax liability for such taxable income
Over $75,000 but not over $100,000	25% of the federal tax liability for such taxable income
Over $100,000 but not over $150,000	10% of the federal tax liability for such taxable income
Over $150,000 …	No deduction for the federal tax liability for such taxable income

This version includes §143.022, §143.151 and §143.161. These new sections do not change our impact estimation from previous versions. Recent federal legislation eliminated personal and dependent exemptions for 2018 through 2025. As §143.151 and §143.161 are currently written, personal and dependent exemptions are only allowed if the filer is entitled to these deductions for federal income tax purposes. As such, we have already taken into account the elimination of the

ASSUMPTION (continued)

personal and dependent exemptions for 2018 within our Baseline, at both the federal and state level. As well, the business income subtraction of 5% that will occur in 2018 is already taken into account within our Baseline. Its freeze at 5% within §143.022 and does not change our impact estimation.

The baseline below reflects the Missouri tax brackets and rates as they will be in 2018. The simulation below reflects the aforementioned changes.

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 % of excess over $9,253

Simulation

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 5 % of excess over $7,295

The baseline for our analysis where Net Tax Due is $5,454.004 million. The simulation results of the parameter changes in this bill for 2019 show Net Tax Due equals $4,813.392 million. This is a decrease in Net Tax Due of $640.612 million from the baseline. Therefore, this corresponds to a decrease in Net General Revenue of $640.612 million due to this change in the Missouri tax brackets and rates.

ASSUMPTION (continued)

§143.071 Corporate Tax Rate
Officials at the **DOR** assume for all tax years beginning before September 1, 1993, a tax is hereby imposed upon the Missouri taxable income of corporations in an amount equal to five percent of Missouri taxable income. For all tax years beginning on or after September 1, 1993, and ending before January 1, 2020, a tax is hereby imposed upon the Missouri taxable income of corporations in an amount equal to six and one-fourth percent of Missouri taxable income. For all tax years beginning on or after January 1, 2020, a tax is hereby imposed upon the Missouri taxable income of corporations in an amount equal to five percent of Missouri taxable income.

This section is estimated to reduce state revenue by $27.60 million in FY 2020 and $55.2 million when fully implemented in FY 2021.

Officials at the **B&P** assume §143.071 would reduce the corporate tax rate from the current 6.25% to 5.0% beginning with tax year 2020. Based on FY 2017 net corporate collections of $276.2 million, B&P estimates that this provision will reduce Total State Revenue and General Revenue by $55.2 million annually, once fully implemented.

§143.171 Individual and Corporate Federal Income Tax Liability Deduction
Officials at the **B&P** assumes this portion changes the cap on the corporate federal income tax deduction from the current 50% of federal tax liability to a $5,000 cap. B&P notes that this section would apply the $5,000 cap to all tax years from 1993 through 2018. For the purpose of this fiscal note, B&P will only apply the $5,000 cap to tax year 2018. B&P notes that while the change would impact tax year 2018, the impact will not be felt until FY 2019. Section 143.171 would also phase-out the deduction based a corporation's federal taxable income up to a total deduction of $5,000. The following table shows the phase-out of the federal tax deduction

Federal Taxable Income		
Min	Max	FIT Deduction Allowed
$0	$25,000	100%
$25,001	$50,000	75%
$50,001	$75,000	50%
$75,001	$100,000	25%
$100,001	$150,000	10%
$150,001		0%

ASSUMPTION (continued)

Based on information from DOR, B&P estimates that this provision could increase Total State Revenue and General Revenue by $108.9 million in FY 2021 and annually thereafter.

Officials at the **DOR** assume for all tax years beginning on or after January 1, 1994, an individual taxpayer shall be allowed a deduction for the taxpayer's federal income tax liability under Chapter 1 of the Internal Revenue Code for the same tax year for which the Missouri return is being filed, after reduction for all credits thereon, except the credit for payments of federal estimated tax, the credit for the overpayment of any federal tax, and the credits allowed by the Internal Revenue Code by Section 31 (tax withheld on wages), Section 27 (tax of foreign country and United States possessions), and Section 34 (tax on certain uses of gasoline, special fuels, and lubricating oils). For tax years beginning on or after September 1, 1993, but ending before January 1, 2020, the amount of the deduction shall not exceed five thousand dollars on a single taxpayer's return or ten thousand dollars on a combined return.

For tax years beginning on or after January 1, 2020, the amount of the deduction shall be the sum of the following amounts:

If the federal taxable income is:	The deduction is:
Not over $25,000.00	100% of the federal tax liability for such taxable income
Over $25,000 - $50,000	75% of the federal tax liability for such taxable income
Over $50,001 - $75,000	50% of the federal tax liability for such taxable income
Over $75,001 - $100,000	25% of the federal tax liability for such taxable income
Over $100,001 - $150,000	10% of the federal tax liability for such taxable income
Over $150,001	No deduction for the federal tax liability

A corporate taxpayer shall be allowed a deduction for its federal income tax liability under Chapter 1 of the Internal Revenue Code for the same tax year for which the Missouri return is being filed after reduction for all credits thereon, except the credit for payments of federal estimated tax, the credit for the overpayment of any federal tax, and the credits allowed by the Internal Revenue Code by Section 31 (tax withheld on wages), Section 27 (tax of foreign country and United States possessions), and Section 34 (tax on certain uses of gasoline, special fuels and lubricating oils). For tax years beginning on or after September 1, 1993, but ending before January 1, 2019, the amount of the deduction shall not exceed fifty percent of the corporation's tax liability. For tax years beginning on or after January 1, 2020, the amount of the deduction shall be the sum of the following amounts:

ASSUMPTION (continued)

If federal taxable income is:	The deduction is:
Not over $25,000	100 % of the federal tax liability
Over $25,000 but not over $50,000	75% of the federal tax liability
Over $50,000 but not over $75,000	50% of the federal tax liability
Over $75,000 but not over $100,000	25% of the federal tax liability
Over $100,000 but not over $150,000	10% of the federal tax liability
Over $150,000	No deduction for federal tax liability

DOR estimates this would increase Total State Revenue by $108.9 million starting in FY 2021.

Oversight will use the estimates provided by B&P and DOR.

§143.116 Loan Forgiveness for Veterans
Officials at **B&P** assumed that beginning with tax year 2019, this proposal would allow a deduction for any income included in a taxpayer's federal adjusted gross income due to the Student Loan Forgiveness Program, if the taxpayer is a veteran with a total service-connected disability. B&P notes that due to the federal tax reform package that took effect January 1, 2018 student loan forgiveness amounts are no longer considered income for federal tax purposes. Therefore, B&P estimates that this provision will not impact Total State Revenue or the calculation under Article X, Section 18(e).

In response to similar legislation filed this year, HB 2305, officials at the **Department of Higher Education** assumed there is no fiscal impact from this proposal.

§143.261 Withholding Timely Filing Discount
Officials at the **B&P** assume this would end the withholding timely filing discount beginning in tax year 2020. Based on data from DOR, in FY 2017 there were $31 million in withholding timely filing discounts. Therefore, B&P estimates that this section would increase Total State Revenue and General Revenue by $15.5 million in FY 2020 and by $31 million in FY 2021 and annually thereafter.

In response to similar legislation filed this year, SB 617, officials at the **DOR** assume this proposed section repeals the timely filing discount for withholding. This is estimated to increase General Revenue by $31 million.

Oversight notes the effective date of this provision is January 1, 2020 (FY 2020) and therefore will show only six months of impact in FY 2020. Oversight will use the estimates provided by B&P and DOR.

ASSUMPTION (continued)

§143.451 Intercompany Transactions
Officials at the **B&P** 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 section 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, BAP cannot estimate an exact impact from this language. However, this amendment may have an unknown impact on Total State Revenue and General Revenue.

In response to similar legislation filed this year, HB 2638, officials at the **DOR** assumed there is no fiscal impact from this proposal.

§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 Supply Sales Tax Holiday
Officials at the **B&P** assume this removes the specific exemption for graphing calculators with a taxable value of $150 or less from the back-to-school sales tax holiday. B&P notes that graphing calculators are included in the definition of school supplies under §144.010. B&P further notes that there is a per purchase limit on school supplies of $50. Therefore, B&P estimates that this provision may have a minimal positive 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 2020.

Oversight notes that Section C of this proposal sets the effective date of this provision based on a decision in the South Dakota v. Wayfair Inc. case pending at the U. S. Supreme Court. Should the Supreme Court affirm the decision that prevents states from colleting sales and use tax on purchases from out-of-state retailers this provision is to become effective January 1 after the decision is handed down. The case is pending before the Supreme Court currently and the decision will be handed down during the summer of 2018, so the earliest this provision would go into effect is January 1, 2019. Oversight will show the impact as $0 (court rules states can collect the tax and this provision will not be effective) to the estimates provided by B&P if this provision becomes effective.

ASSUMPTION (continued)

§144.070, §144.140 and §144.710 Vendor Timely Filing Discounts
Officials at the **DOR** assume that currently, a vendor is allowed to retain 2% of the amount of sales or use tax due to the state if the vendor timely remits the tax due on or before the due date. This bill eliminates such allowance for sales tax amounts above $1,500 per return, per month, per location. DOR estimates this would increase State Revenue by $3.7 million in FY 2020 and $7.3 million annually thereafter.

Officials at the **B&P** assume §144.070, would cap the sales tax timely filing discount granted to motor vehicle dealers at 2% or $1,500 per month per location, whichever is less. B&P notes that dealers no longer remit sales taxes on motor vehicles directly to DOR. Rather consumers remit the sales tax due at the time the motor vehicle is licensed. Therefore, B&P estimates that this provision will not impact Total State Revenue or any other state funds, as this discount is no longer utilized by motor vehicle dealers.

Beginning January 1, 2020, §144.140 and §144.710 would cap the sales and use tax timely filing discounts at 2% or $1,500 per month per location, whichever is less. Based on information from DOR, there were $119.4 million in sales and use tax timely filing discounts in FY 2017. B&P estimates that instituting the 2% up to $1,500 per month per location cap would increase sales and use tax collections by $20.4 million annually. Since the timely filing discount is given before any disbursements are made to sales and use tax funds, B&P estimates that the state portion of the $20.4 million is approximately 36%, with the remaining funds going to local municipalities. Therefore, B&P estimates that this section will increase Total State Revenue by $3.7 million and General Revenue by $2.6 million in FY 2020. Beginning in FY 2021 and annually thereafter, this section will increase Total State Revenue by $7.3 million and General Revenue by $5.2 million. This section will also increase local funds by $13.0 million once fully implemented.

§144.517 Sales Tax Exemption on Textbooks
Officials at the **B&P** assume this section would end the state sales tax exemption on textbooks. Based on information from DOR, in FY 2017 the state sales tax exemption was worth approximately $3.8 million. Therefore, B&P estimates that repealing this section will increase Total State Revenue by $3.8 million and General Revenue by $2.7 million annually.

Oversight notes that Section C of this proposal sets the effective date of this provision based on a decision in the South Dakota v. Wayfair Inc. case pending at the U. S. Supreme Court. Should the Supreme Court affirm the decision that prevents states from colleting sales and use tax on purchases from out-of-state retailers this provision is to become effective January 1 after the decision is handed down. The case is pending before the Supreme Court currently and the decision will be handed down during the summer of 2018, so the earliest this provision would go

ASSUMPTION (continued)

into effect is January 1, 2019. Oversight will show the impact as $0 (court rules states can collect the tax and this provision will not be effective) to the estimate provided by B&P if this provision becomes effective.

§144.526 Show-Me Green Holiday Sales Tax Holiday
Officials at the **B&P** assume this 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 notes that Section C of this proposal sets the effective date of this provision based on a decision in the South Dakota v. Wayfair Inc. case pending at the U. S. Supreme Court. Should the Supreme Court affirm the decision that prevents states from colleting sales and use tax on purchases from out-of-state retailers this provision is to become effective January 1 after the decision is handed down. The case is pending before the Supreme Court currently and the decision will be handed down during the summer of 2018, so the earliest this provision would go into effect is January 1, 2019. Oversight will show the impact as $0 (court rules states can collect the tax and this provision will not be effective) to the estimate provided by B&P if this provision becomes effective.

Oversight notes the effective date of the proposal is January 1, 2019 (FY 2019) and the Show Me Green Sales Tax Holiday is in April; therefore the fiscal note will show the full impact in FY 2019.

§148.030, §148.140 and §148.620 Bank and Credit Union Annual Tax
Officials at the **B&P** assume these sections 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.

Based on FY net collections of $39.5 million, B&P estimates that these provisions will reduce Total State Revenue and General Revenue by $0.1 million in FY 2020 and $0.2 million annually, once fully implemented in FY 2021. B&P also estimates that this will reduce local revenues by $7.7 million once fully implemented.

ASSUMPTION (continued)

Oversight notes the effective date of this provision is January 1, 2020 (FY 2020) and therefore will show only six months of impact in FY 2020. Oversight will use the estimate provided by B&P.

§208.431 - §208.437 Managed Care Organizations
Officials at the **B&P** assume this section would make changes to the managed care reimbursement allowance. B&P defers to DSS for any details and impacts from these sections.

Officials at the **DOR** assume a managed care organization - a health maintenance organization defined under Section 354.400, including health maintenance organizations operating pursuant to a contract under 42 U.S. C. Section 1396b(m) to provided MO HealthNet managed care program eligibility groups. Beginning July 1, 2018 each managed care organization in this state shall, in addition to all other fees and taxes now required or paid, pay a managed care organization reimbursement allowance for the privilege of engaging in the business of providing health benefit services in this state. The managed care organization reimbursement allowance may be imposed on the basis of revenue or enrollment and shall impose differential rates on Medicaid and commercial business. The managed care organization reimbursement allowance shall not apply to an organization that is exempt from assessment under 42 C.F.R. Section 422.404 or 5 U.S.C. Section 8909(f)(1).

Officials at the **Department of Social Services** (**DSS**) assume the MO HealthNet Division (MHD) is not currently collecting the Medicaid Managed Care Organization Reimbursement Allowance under §208.431, however if the proposed legislation passes it would be applied to Managed Care Organizations (MCOs). As defined in this section, MCOs mean Health Maintenance Organizations (HMOs) defined in §354.400, including health maintenance organizations operating pursuant to a contract under 42 U.S.C. Section 1396b(m) to provide benefits to MO HealthNet managed care program eligibility groups.

Federal regulations require that a tax be broad-based, be uniform, and not include a hold harmless clause. The proposed assessment would not be considered a uniform tax as it would have different rates for Medicaid member months and commercial member months. Additionally it would exempt Medicare member months as well as member months associated with the Federal Employee Health Benefits Program which is also exempt under federal law. As this tax is not uniform, DSS would apply for a waiver from CMS. In order to meet CMS requirements under the waiver with a non-uniform tax, the effective tax for HMO's must meet a B1/B2 test as required of all provider taxes approved by CMS. To meet the B1/B2 test, an analysis was performed utilizing a non-uniform rate structure by member months for both the non-Medicaid HMOs and the Medicaid HMOs. The assessment is estimated based on member months from commercial HMOs from calendar year 2016 and Medicaid HMOs from February 2018 to be

ASSUMPTION (continued)

inclusive of statewide managed care. Non-Medicaid HMOs were assumed to receive a tiered tax on member months: Tier 1 (0 to 250,000 member months) $4.00 per member month, Tier 2 (250,000-500,000 member months) $3.00 per member month, Tier 3 (500,000 to 750,000 member months) $1.00 per member month. Medicaid HMOs were assumed to receive a tiered tax on member months: Tier 1 (0-250,000 member months) $45 per member month, Tier 2 (250,000-800,000 member months) $5.00 per member month, Tier 3 (greater than 800,000 member months) $1.00 per member month.

Overall the assessment would be expected to be $52.0 million of which the Medicaid Managed Care Organizations tax collection would be $48.1 million and the commercial tax collection would be $3.9 million. DSS would need $16.7 million of the collection to use as state share in adjusting the Medicaid capitation payments to reimburse the cost assessment. MHD will require an additional 2 FTE to implement and maintain this new assessment. Therefore the remaining assessment available would be approximately $35.2 million. The Department assumes the remaining tax would be used to offset General Revenue.

MHD will require an additional 2 FTE (One Band I Manager (annual salary: $53,928) and one Management Analysis Specialist II (annual salary: $50,634)) to implement and maintain this new assessment. Staff would need to work closely and coordinate payment activities with the HMOs, State Actuary, and Department of Revenue.

MHD will need to conduct an actuarial study for $50,000 General Revenue. The study is needed to calculate and analyze the tax payments for each Managed Care Organization and incorporate this adjustment into the capitated rate methodology.

Oversight notes that the Department of Social Services is the designated state agency that works with the federal government on Medicaid programs. Therefore, Oversight will use DSS provider tax numbers for this tax program. Oversight notes these sections of the proposal become effective July 1, 2019 (FY 2020).

§208.1050 MO Senior Services Protection Fund (SSPF)
Officials at the **B&P** assume this section states that DOR shall calculate the amount of federal tax deductions (for corporations) claimed during FY 2019. Such calculated amounts, not to exceed $40 million, shall be deposited into the Missouri Senior Services Protection Fund annually. For the purpose of this fiscal note, B&P assumes that up to $40 million from the savings under the corporate federal tax deduction in §143.171 would be diverted to the SSPF fund, rather than deposited into General Revenue. Therefore, B&P estimates that this proposal will reduce General Revenue by $40 million beginning in FY 2021.

ASSUMPTION (continued)

Officials at the **DOR** assume the director of revenue shall calculate the amount of deductions claimed under subsection 2 of Section 143.171 during fiscal year 2019. Such calculated amount, not to exceed forty million dollars, shall be allocated annually to the Missouri Senior Services protection fund and shall be transferred, subject to appropriations, from the General Revenue Fund to the Missouri Senior Services Protection Fund.

The Department believes this proposed section may decrease state General Revenues by $40 million in FY 2021 and each year thereafter. Then it may increase the Missouri Senior Services Protection Fund by an estimated $40 million annually in FY 2021.

Officials at the **Department of Health and Senior Services** (**DHSS**) defer to the Department of Revenue for the calculation of the increase in state revenue as a result of the change in individual income tax deductions allowed under 143.171 in which the funds will then be transferred into the Missouri Senior Services Protection Fund. The use of these funds would then be subject to appropriation. If additional funding is appropriated in the DHSS budget, DHSS is assuming that those funds will be expended from the Missouri Senior Services Protection fund in the same manner funds are currently expended from this fund.

Officials at the **Department of Social Services** is deferring to OA for an estimate of funds transferred into the Missouri Senior Services Protection fund.

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, this proposal changes the calculation of the corporate deduction starting January 1, 2020. Oversight will show the transfer from General Revenue to the Missouri Senior Service Protection Fund as $40 million annually.

Oversight notes that §208.1050, requires a transfer to the Missouri Senior Services Protection Fund. Oversight verified with the Office of the State Treasurer that the Missouri Senior Services Protection Fund closed in March 15, 2014. However, since this fund still exists in statutes it can be reopened to accept funds.

§208.1070 Transfer of Certain Contraceptives

Officials at the **B&P** assume this provision would modify provisions related to long-acting reversible contraceptives and MO HealthNet patients. B&P estimates that this provision will not impact Total State Revenue or the calculation under 18(e). B&P defers to DHSS for more specific information about this provision.

ASSUMPTION (continued)

Officials from the **Department of Social Services (DSS), MO HealthNet Division (MHD)** and **Division of Legal Services (DLS)** state MO HealthNet assumes that if this legislation passes, the Board of Pharmacy would change their existing rule which prohibits transfer of a pharmacy script once the product has been dispensed.

In FY 2017 there were 1,833 Long-Acting Reversible Contraceptive (LARC) devices that were abandoned. This was determined by taking the difference between the number of paid units in FY17 (9,957) less the number of actual insertions which was 8,124. Of these, MO HealthNet assumes 60%, or 1,100 devices, could have been reused. In order to have a higher utilization of devices being reused, MO HealthNet would need to implement some type of tracking system to ensure that more abandoned devices were reused.

The cost of the device was determined by taking the weighted average of LARC devices in FY 2017 less rebates to arrive at a net cost of $533.80 each. This gives an FY 2017 savings of $587,180 (1,100 x $533.80). MO HealthNet assumes an annual 3.8% inflation factor from FY 2017 - FY 2021.

FY 2018 savings $587,180 x 1.038 = $609,493;
FY 2019 savings $609,493 x 1.038 = $632,654 ($220,145 General Revenue (GR); $412,509 Federal);
FY 2020 savings $632,654 x 1.038 = 12 X 10 months **$547,2454 ($190,425 GR; $356,820 Federal)**;
FY 2021 savings $656,694 x 1.038 = $681,649 ($237,194 GR; $444,455 Federal);
FY 2022 savings $681,649 x 1.038 = $707,552 ($247,643 GR; $459,909 Federal);
FY 2023 savings $707,552 x 1.038 = $734,439 ($257,054 GR; $477,385 Federal).

Officials at the **Department of Health and Senior Services** and the **Department of Insurance, Financial Institutions and Professional Registration** each assume the proposal would not fiscally impact their agency.

§226.228 Emergency Bridge Repair and Replacement Fund
Officials from the **Department of Transportation** (**MoDOT**) assume this fiscal impact of this proposal is unquantifiable at this time; however, this proposal will create a potential revenue stream at the discretion of the General Assembly.

Officials from **B&P** assume this proposal would create an "Emergency Bridge Repair and Replacement Fund". Money to the fund shall be appropriated from General Revenue or received from other eligible funds. B&P notes that while the provision may impact the moneys available in General Revenue and/or other funds, this provision will not impact Total State Revenue or the

ASSUMPTION (continued)

calculation under Article X, Section 18(e).

In response to similar legislation filed this year, HB 2153, officials from the **Office of the State Treasurer** and **DOR** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight will reflect the fiscal impact as $0 (no General Revenue monies appropriated to the new fund) or an "Unknown" (unknown amount of General Revenue monies appropriated) to the Missouri Emergency Bridge Repair and Replacement Fund.

§254.075, §254.180 and §254.210 Yield Tax
Officials at the **B&P** assume these sections would repeal the MDC yield tax. B&P estimates that this provision will have a minimal negative impact to Total State Revenue. B&P defers to MDC for more information about these provisions.

In response to the similar legislation filed this year, SB 1006, officials at the **Department of Conservation** (**MDC**) assumed there would be a small negative fiscal impact. Those currently enrolled in the program would no longer pay a yield tax. The average yield tax over the last five years received by the Department is around $7,000 annually at the current rate.

In response to similar legislation filed this year, SB 1006, officials at the **DOR** assumed that due to the repeal of the language: Will not be subject to any ad valorem tax, "or to any yield tax on timber cut on such lands..." the Department believes that this tax would not be applicable and estimates a minimal to unknown impact.

Oversight notes this yield tax is collected on timber sold from participants in the Forest Cropland Program which is a long term healthy forest management program at the MDC. Participants sign up for the program for 15 years and must maintain a healthy forest using techniques provided by MDC. The participants receive a property tax abatement on the acreage in the program. Should they sell any timber off the participating property they pay a yield tax to the MDC. MDC uses that money plus their sales tax money to reimburse the counties for the property tax.

Oversight notes per statute this yield tax is currently deposited into the Conservation Commission fund. Currently 41 participants with a total of 45 tracts of forest are in the program.

ASSUMPTION (continued)

§313.826 Gaming Winnings
Officials at the **B&P** assume this section would add retirement income withholding tax to the list of withholding taxes that gaming winning withholding is to be subject. Based on information from DOR, retirement withholdings are voluntary payments. Therefore, B&P estimates that this provision will not impact Total State Revenue or the calculation under Article X, Section 18(e).

§313.905 and §313.935 Fantasy Sports
Officials at the **B&P** assume this would make multiple changes to fantasy sports operations. It would create an annual license renewal fee based on a business's net revenue. It would also lower the annual operation fee from the current 11.5% to 6%. Based on information from the Gaming Commission, B&P estimates that this provision may reduce Total State Revenue by $200,000 annually. B&P defers to the Gaming Commission for more specific information on this provision.

Officials at the **Missouri Gaming Commission (GAM)** assume this proposal would have a negative fiscal impact on their organization based on the following information.

§313.935.3(1)
GAM received $23,446 from the 6 initial companies that applied for a license in 2016. Based on the reported net revenue of those applicants, 2 of those applicants would pay $5,000 each (annual renewal fee) and the rest would be exempt from paying a renewal fee, resulting in a $13,446 reduction in revenue for the Gaming Commission Fund (0286).

§313.935.3(2)
Based on the annual operation fee reports received on January 15, 2018, the daily fantasy sports contest operators reported net revenue of $3,819,254 for the calendar year of 2017. The annual operating fee based on that amount at 11.5% would be $439,214, and at 6% would be $229,155, which would result in a loss of revenue for the Gaming Proceeds for Education Fund (0285) of $210,059. Payment is owed on April 15th for the previous calendar year.

Based on the application fees listed in the proposed legislation, MGC assumes it would collect zero fees due to the verbiage "ten percent of the applicant's net revenue from the previous calendar year". The applicant will not have operated in the state prior to the application, so the net revenue would be zero. Based on the proposed language, MGC would only collect for the cost of the investigation up to ten thousand dollars. The collection of these fees would be deposited in the state treasury to the credit of the Gaming Commission Fund (0286) to be administered pursuant to the provisions of section 313.835.

ASSUMPTION (continued)

In response to similar legislation filed this year, HB 1390, GAM assumed it will be necessary to have 2 new full-time positions for regulatory monitoring, tracking, and auditing of fantasy contest activity in Missouri totaling approximately $155,469 annually for salary and fringe benefits. The positions necessary would be an Investigator II at $48,852 and an Auditor II at $51,036 annually.

Officials at the **DOR** assume these section change the annual operation fee for a licensed fantasy sports operator from 11% of their net revenue from the previous calendar year to 6% of their net revenue. This would potentially decrease state revenues by $368,305.

	Application Fee	Annual Operation Fee
FY17 Collections	$50,000	$686,456
New Collections	$10,000	$358,151
Loss	($40,000)	($328,305)
	GC Fund	GCFE Fund
Gaming Proceeds for Education Fund and Gaming Commission Fund	($368,305)	

Oversight will use the estimates provided by the Gaming Commission in the fiscal note.

§320.093 Dry Fire Hydrant Tax Credit
Officials at the **B&P** assume this section would no longer allow the Dry Fire Hydrant tax credit to be applied to retirement income withholding. Based on information provided by DOR, this tax credit has never been used against such income tax withholding. Therefore, B&P estimates that this provision will not impact Total State Revenue or the calculation under Article X, Section 18(e).

Taxation Sections as a Whole
Officials at the **Department of Economic Development**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health** and the **Joint Committee on Administrative Rules** each assume there was no fiscal impact from this proposal.

In response to the previous version, officials at the **City of Kansas City** assumed there is no fiscal impact from this proposal.

ASSUMPTION (continued)

In response to the previous version, officials at the **City of Springfield** assumed this would have a potential negative fiscal impact to the City.

In response to the previous version, officials at the **Summersville R-II School District** assumed an unknown negative impact.

In response to the previous version, officials at **St. Louis County** assumed the impact is unknown.

In response to the previous version, officials at **Callaway County** assumed a positive impact.

In response to the previous version, officials at the **Wellsville-Middletown R-I School District** assumed the income tax rate deductions in this bill will have an overall serious negative fiscal impact on the district.

In response to the previous version, officials at the **Kirksville R-III School District** assumed this would have an unknown negative impact.

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.

ASSUMPTION (continued)

MOTOR VEHICLE/DRIVER LICENSE FEES

B&P Calculations
Officials at the **B&P** assume this proposal would increase multiple motor vehicle, boat, and outboard motor registration and license fees. Based on information provided by DOR, the impacted sections will increase Total State Revenue by $80.0 million in FY 2020 and $160.0 million annually, once fully implemented in FY 2021. B&P further estimates that these provisions will increase local funds by $25.5 million in FY 2020 and $50.9 million annually, once fully implemented in FY 2021. B&P defers to DOR for more information on the impacts from these provisions.

DOR Calculations of Motor Vehicle Fees
Officials at the **DOR** assume all changes in sections pertaining to specialty license plates are changes to reflect the change in the personalized license plate fee. Section B provides that the changes in chapter 301 and 306 are to be effective January 1, 2020.

Below is breakdown of all other changes within chapters 301:

Section	Fee/Class	Old Fee	New Fee	Increased Amount	FY 2017 Transactions Processed	Annual Increase	FY 20 Increase (6 months)
301.025	PPT Suspension	$20.00	$47.00	$27.00	0	$0.00	$0.00
301.032	Fleet	$5.00	$12.00	$7.00	6,307	$44,149.00	$22,074.50
301.041	CMV Reciprocity Renewal Penalty	$100.00	$236.00	$136.00	0	$0.00	$0.00
		$50.00	$118.00	$68.00	0	$0.00	$0.00
		$150.00	$350.00	$200.00	0	$0.00	$0.00
301.050	Renewal Penalty	$5.00	$12.00	$7.00	485,837	$3,400,859.00	$1,700,429.50
301.055	Passenger Registrations						
	12	$18.00	$42.50	$24.50	12,551	$307,499.50	$153,749.75
	12-24	$21.00	$50.00	$29.00	1,031,146	$29,903,234.00	$14,951,617.00
	24-36	$24.00	$57.00	$33.00	953,308	$31,459,164.00	$15,729,582.00
	36-48	$33.00	$77.50	$44.50	189,728	$8,442,896.00	$4,221,448.00

Section	Fee/Class	Old Fee	New Fee	Increased Amount	FY 2017 Transactions Processed	Annual Increase	FY 20 Increase (6 months)
	48-60	$39.00	$92.50	$53.50	89,714	$4,799,699.00	$2,399,849.50
	60-72	$45.00	$107.50	$62.50	1,042	$65,125.00	$32,562.50
	72+	$51.00	$120.00	$69.00	360	$24,840.00	$12,420.00
	motorcycle	$8.50	$20.00	$11.50	87,061	$1,001,201.50	$500,600.75
	motortricycle	$10.00	$23.50	$13.50	2,058	$27,783.00	$13,891.50
301.057	BL CMV						
	6	$25.50	$60.00	$34.50	497,580	$17,166,510.00	$8,583,255.00
	9	$38.00	$90.00	$52.00	1,478	$76,856.00	$38,428.00
	12	$38.00	$90.00	$52.00	212,028	$11,025,456.00	$5,512,728.00
	18	$63.00	$150.00	$87.00	57,931	$5,039,997.00	$2,519,998.50
	24	$100.50	$235.00	$134.50	25,862	$3,478,439.00	$1,739,219.50
	26	$127.00	$300.00	$173.00	11,722	$2,027,906.00	$1,013,953.00
	30	$180.00	$425.00	$245.00	3,048	$746,760.00	$373,380.00
	36	$275.50	$650.00	$374.50	3,447	$1,290,901.50	$645,450.75
	42	$413.00	$913.00	$500.00	876	$438,000.00	$219,000.00
	48	$550.50	$1,050.50	$500.00	785	$392,500.00	$196,250.00
	54	$688.00	$1,188.00	$500.00	2,409	$1,204,500.00	$602,250.00
	60010	$825.50	$1,325.50	$500.00	660	$330,000.00	$165,000.00
	66	$1,100.50	$1,600.50	$500.00	582	$291,000.00	$145,500.00
	73280	$1,375.50	$1,875.50	$500.00	199	$99,500.00	$49,750.00
	78	$1,650.50	$2,150.50	$500.00	41	$20,500.00	$10,250.00
	80	$1,719.50	$2,219.50	$500.00	2,103	$1,051,500.00	$525,750.00
301.058	L CMV						
	6	$15.50	$36.50	$21.00	23,646	$496,566.00	$248,283.00
	12	$18.00	$42.50	$24.50	18,666	$457,317.00	$228,658.50
	18	$20.50	$48.50	$28.00	19,836	$555,408.00	$277,704.00
	24	$27.50	$65.00	$37.50	17,310	$649,125.00	$324,562.50
	26	$33.50	$80.00	$46.50	4,385	$203,902.50	$101,951.25
	30	$45.50	$107.50	$62.00	5,667	$351,354.00	$175,677.00
	36	$67.50	$160.00	$92.50	4,015	$371,387.50	$185,693.75
	42	$100.50	$237.00	$136.50	1,398	$190,827.00	$95,413.50
	48	$135.50	$320.00	$184.50	1,912	$352,764.00	$176,382.00
	54	$170.50	$402.50	$232.00	7,762	$1,800,784.00	$900,392.00
	60010	$200.50	$473.00	$272.50	1,243	$338,717.50	$169,358.75
	66	$270.50	$638.50	$368.00	1,625	$598,000.00	$299,000.00

Section	Fee/Class	Old Fee	New Fee	Increased Amount	FY 2017 Transactions Processed	Annual Increase	FY 20 Increase (6 months)
	72	$335.50	$792.00	$456.50	1,041	$475,216.50	$237,608.25
	80	$350.50	$827.00	$476.50	13,497	$6,431,320.50	$3,215,660.25
301.059	BL Commercial Buses						
	10	$100.50	$235.00	$134.50	366	$49,227.00	$24,613.50
	11-18	$180.50	$425.00	$244.50	99	$24,205.50	$12,102.75
	19-25	$250.50	$590.00	$339.50	77	$26,141.50	$13,070.75
	26-29	$290.50	$685.00	$394.50	23	$9,073.50	$4,536.75
	30-33	$330.50	$780.00	$449.50	28	$12,586.00	$6,293.00
	34-37	$370.50	$870.50	$500.00	24	$12,000.00	$6,000.00
	38-41	$410.50	$910.50	$500.00	14	$7,000.00	$3,500.00
	42-45	$450.50	$950.50	$500.00	213	$106,500	$53,250.00
301.061	L Commercial Buses						
	10	$50.50	$120.00	$69.50	14	$973.00	$486.50
	11-18	$90.50	$213.50	$123.00	17	$2,091.00	$1,045.50
	19-25	$125.50	$296.00	$170.50	3	$511.50	$255.75
	26-29	$145.50	$343.50	$198.00	5	$990.00	$495.00
	30-33	$165.50	$390.50	$225.00	1	$225.00	$112.50
	34-37	$185.50	$438.00	$252.50	8	$2,020.00	$1,010.00
	38-41	$205.50	$485.00	$279.50	2	$559.00	$279.50
	42-45	$225.50	$532.00	$306.50	35	$10,727.50	$5,363.75
301.062	Local Log Truck						
		$300.00	$708.00	$408.00	785	$320,280.00	$160,140.00
	Ext Permit	$300.00	$708.00	$408.00	791	$322,728.00	$161,364.00
301.063	Local Transit Bus						
	40	$25.50	$60.00	$34.50	10	$345.00	$172.50
	41-45	$35.50	$84.00	$48.50	0	$0.00	$0.00
	45 +	$50.50	$120.00	$69.50	7	$486.50	$243.25
301.064	Land Imp	$350.00	$826.00	$476.00	107	$50,932.00	$25,466.00
301.065	Private School Bus	$25.50	$60.00	$34.50	4,422	$152,559.00	$76,279.50
301.066	Shuttle Bus	$32.00	$75.50	$43.50	3,348	$145,638.00	$72,819.00

Section	Fee/Class	Old Fee	New Fee	Increased Amount	FY 2017 Transactions Processed	Annual Increase	FY 20 Increase (6 months)
	RV	$32.00	$75.50	$43.50	10,482	$455,967.00	$227,983.50
	Vanpool	$32.00	$75.50	$43.50	1,146	$49,851.00	$24,925.50
301.067	Trailers						
	1 yr	$7.50	$17.50	$10.00	53,352	$533,520.00	$266,760.00
	3 yr	$22.50	$53.00	$30.50	158,126	$4,822,843.00	$2,411,421.50
	Perm	$52.50	$124.00	$71.50	155,544	$11,121,396.00	$5,560,698.00
301.069	Driveaway	$44.50	$105.00	$60.50	2,226	$134,673.00	$67,336.50
	Single Trip	$4.00	$9.50	$5.50	0	$0.00	$0.00
301.114	Title Agents	$50.00	$118.00	$68.00	20	$1,360.00	$680.00
301.131	Historic	$25.00	$59.00	$34.00	10,575	$359,550.00	$179,775.00
301.136	Historic Camping Trailer	$52.50	$124.00	$71.50	0	$0.00	$0.00
301.140	Transfer Fee	$2.00	$5.00	$3.00	300,511	$901,533.00	$450,766.50
	Temp Permit	$5.00	$12.00	$7.00	64,722	$453,054.00	$226,527.00
301.142	Temp Dis Placard	$2.00	$5.00	$3.00	4,414	$13,242.00	$6,621.00
	Replacement	$4.00	$9.50	$5.50	15	$82.50	$41.25
301.144	PP fee	$15.00	$35.50	$20.50	45,191	$926,415.50	$463,207.75
	Repo Placard						
301.175	Maintenance Permit	$5.00	$12.00	$7.00	4	$28.00	$14.00
301.190	Title Fee	$8.50	$20.00	$11.50	2,011,441	$23,131,571.50	$11,565,785.75
	Title Penalty						
	30 days	$25.00	$59.00	$34.00	277,867	$9,447,478.00	$4,723,739.00
	Exp Title	$5.00	$12.00	$7.00	0	$0.00	$0.00
	551	$25.00	$59.00	$34.00	24,525	$833,850.00	$416,925.00
	Reconstructed 40 yr old	$100.00	$354.00	$254.00	0	$0.00	$0.00
301.191	Homemade Trailer Inspection	$10.00	$23.50	$13.50	10,468	$141,318.00	$70,659.00
301.192	551	$25.00	$59.00	$34.00	0	$0.00	$0.00
301.219	Salvage Business License	$130.00	$307.00	$177.00	66	$11,682.00	$5,841.00

Section	Fee/Class	Old Fee	New Fee	Increased Amount	FY 2017 Transactions Processed	Annual Increase	FY 20 Increase (6 months)
301.227	Salvage Title Fee	$8.50	$20.00	$11.50	0	$0.00	$0.00
301.265	Permit	$10.00	$23.50	$13.50	0	$0.00	$0.00
301.266	Hunters Permit	$25.00	$59.00	$34.00	0	$0.00	$0.00
301.267	Permit	$25.00	$59.00	$34.00	0	$0.00	$0.00
301.300	Dup Title	$8.50	$20.00	$11.50	0	$0.00	$0.00
	Dup Reg	$8.50	$20.00	$11.50	53,284	$612,766.00	$306,383.00
301.370	Motor Change	$1.00	$2.50	$1.50	0	$0.00	$0.00
301.380	VIN Replacement	$7.50	$17.50	$10.00	6,070	$60,700.00	$30,350.00
301.560	Dealer Plates						
	2nd and 3rd plates	$50.00	$118.00	$68.00	6,182	$420,376.00	$210,188.00
	Add Plates	$10.50	$25.00	$14.50	49,278	$714,531.00	$357,265.50
301.562	Dealer Assessment Fee	$500.00	$1,002.00	$502.00	0	$0.00	$0.00
301.566	Off-Site Permit Fee	$550.00	$1,050.00	$750.00	0	$0.00	$0.00
301.580	Special Motor Vehicle Auction Permit	$1,000.00	$1,500.00	$500.00	1	$500.00	$250.00
	Penalty	$500.00	$1,000.00	$680.00	0	$0.00	$0.00
301.711	ATV Decal	$10.00	$23.50	$13.50	20,787	$280,624.50	$140,312.25
	Title Penalty	$5.00	$12.00	$7.00	3,115	$21,805.00	$10,902.50
	Repl Decal	$7.50	$17.50	$10.00	55	$550.00	$275.00
301.3154	Special Plate Fees	$15.00	$35.50	$20.50		$0.00	$0.00

§302.140

DOR assumes the proposed language changes the fee for an instruction permit from $1.00 to $2.50, and changes the motorcycle safety education fee from $2.75 to $6.50.

ASSUMPTION (continued)

§302.177
DOR assumes the proposed language changes the fees for a class E (license or renewal to transport persons or property classified in section 302.015) license from:

$30.00 to $37.00 for a 6-year license;
$15.00 to $18.50 for a 3-year license, and;
$5.00 to $6.00 for a 1-year E license with an S endorsement.

It would also change the fees for a class F (base operator license or class M (motorcycle only) from:

$15.00 to $18.50 for a 6-year license, and;
$7.00 to $9.50 for a 3-year license.

§302.178
DOR assumes the proposed language changes the fees for an intermediate license from $5.00 to $12.00.

§302.181
DOR assumes the proposed language changes the fees for non-driver licenses from $6.00 to $14.00 for a 6-year license, and from $3.00 to $7.00 for a 3-year license.

§302.185
DOR assumes the proposed language changes the fees for a duplicate license from $15.00 to $35.50 for a class E license, and from $7.50 to $17.50 for a class F license or class M license.

§302.286
DOR assumes the proposed language changes the reinstatement fee for a motor fuel theft suspension from $25 to $59.

§302.304
DOR assumes the proposed language changes the reinstatement fee for suspensions or revocations from $20 to $47.

§302.420
DOR assumes the proposed language changes the reinstatement fee for Abuse and Lose suspensions and revocations, and Minor in Possession suspensions and revocations from $20 to $47.

ASSUMPTION (continued)

§302.541
DOR assumes the proposed language changes the additional fee for anyone suspended or revoked pursuant to §302.505, §301.410, §302.574, or §577.010 from $25 to $59.

§302.720
DOR assumes the proposed language changes the fees for:
Commercial learner's permits from $5.00 to $12.00;
Commercial written and driving tests from $25.00 to $59.00, and;
Third-party tester fees would change from $100.00 to $236.00.

§302.735
DOR assumes the proposed language would increase the fees for commercial driver licenses from $40.00 to $94.50 for a 6-year license, and from $20 to $47 for a 3-year license. The fees for duplicate commercial driver licenses would also increase from $20 to $47.

All changes in sections pertaining to specialty license plates are changes to reflect the change in the personalized license plate fee in §301.144.

Section 306

Section	Fee/Class	Old Fee	New Fee	Increased Amount	FY 2017 Transactions Processed	Annual Increase	FY 20 Increase (6 months)
306.015	Marine Title Fee	$7.50	$17.50	$10.00	74,983	$749,830.00	$374,915.00
	Title Penalty						
	30 days	$10.00	$25.00	$15.00	6,822	$102,330.00	$51,165.00
306.016	Doc Vessel	$7.50	$17.50	$10.00	0	$0.00	$0.00
	Penalty	$10.00	$25.00	$15.00	0	$0.00	$0.00
	Temp	$5.00	$12.00	$7.00	0	$0.00	$0.00
306.030	Marine Reg Fees						
	16	$25.00	$60.00	$35.00	12,835	$449,225.00	$224,612.50
	16-26	$55.00	$130.00	$75.00	25,236	$1,892,700.00	$946,350.00
	26-40	$100.00	$240.00	$140.00	1,629	$228,060.00	$114,030.00
	40+	$150.00	$350.00	$200.00	66	$13,200.00	$6,600.00
	16-28 wood	$55.00	$130.00	$75.00	0	$0.00	$0.00

Section	Fee/Class	Old Fee	New Fee	Increased Amount	FY 2017 Transactions Processed	Annual Increase	FY 20 Increase (6 months)
306.031	Marine ID Replacement	$7.50	$17.50	$10.00	0	$0.00	$0.00
306.060	Marine Temp Permit	$5.00	$12.00	$7.00	487	$3,409.00	$1,704.50
306.435	Marine Repo	$10.00	$24.00	$14.00	0	$0.00	$0.00
306.535	OBM Title	$5.00	$12.00	$7.00	25,182	$176,274.00	$88,137.00
	OBM reg	$2.00	$5.00	$3.00	23,467	$70,401.00	$35,200.50
	Title Penalty						
	60 days	$10.00	$25.00	$15.00	0	$0.00	$0.00
306.550	OBM Temp	$2.00	$5.00	$3.00	0	$0.00	$0.00

Motor Vehicle Bureau - Chapter 301 & 306 Motor Vehicle/ Marine Fees and Penalties
The Bureau assumes it will have to do the following:

- Update procedures, forms, manuals, correspondence letters, motor vehicle and marine charts, and Department Website;
- Modify associated rejection verbiage;
- Complete programming and user acceptance testing for identified systems; and
- Amend and file administrative rules.

FY 2020 - Motor Vehicle Bureau

Management Analysis Spec I	5070 hrs @ $18.42 per hr.	= $93,389
Administrative Office Support Asst.	30 hrs. @ $13.78	= $ 413
Revenue Manager Band I	160 hrs.@ $25.05 per hr.	= $ 4,008
Total		= $97,810

ASSUMPTION (continued)

The Bureau assumes this proposal requires all fees and penalties within Chapter 301 and 306 to increase effective January 1, 2020.

Increased Motor Vehicle/Marine Fees and Penalties

	FY 2020	FY 2021
Highway Fund (75%)	$72,801,950	$145,603,900
Cities (15%)	$14,560,390	$29,120,780
Counties (10%)	$9,706,926	$19,413,852
General Revenue	$1,842,715	$3,685,430

Oversight will show the administrative costs of the Motor Vehicle Bureau and the projections for increased revenue calculated by DOR in the fiscal note.

Drivers License Bureau - Chapter 302 Drivers License Fees
The Bureau assumes to implement these provisions, the Department will be required to do the following each time a fee is created or altered:

- Work with Fiscal Services to modify the Missouri Transportation Accounting System (MTAS) to amend fees for driver licenses;
- Update the MTAS accounting code tables used by the Missouri Electronic Driver License system (MEDL);
- Update the fee tables used by the Missouri Driver License System (MODL);
- Work with OA/ITSD to test the Missouri Electronic Driver License system (MEDL) and supporting applications to ensure new fees are applied correctly and are correctly posted to systems and reports;
- Work with OA/ITSD to test the Missouri Driver License System (MODL) and supporting applications to ensure new fees process and post to processing screens, letters, systems and reports;
- Modify the Uniform License Issuance Manual;
- Update the Department's website information;
- Update policies and procedures;
- Modify the on-line and printed versions of the Missouri Driver Guide and Commercial Driver License Manual to include new fees;
- Modify forms and procedures referencing driver license fees and reinstatement fees;

ASSUMPTION (continued)

- Re-distribute forms 2385 and 4323 to all Missouri law enforcement agencies. This will add additional costs for printing and postage;
- Modify MODL and CTG notices referencing license reinstatement fees;
- Train internal staff and license office staff;
- Communicate new fees to the public prior to implementation.

FY 2020 Personnel Services Bureau

Administrative Analyst III	320 hrs x $19.43 = $6,218
Management Analysis Spec I	320 hrs x $18.42 = $5,894
	Total = $12,112

FY 2020 Driver License Bureau

Administrative Analyst I	480 hrs x $14.70 per hr =	$7,056
Administrative Analyst II	480 hrs x $17.13 per hr =	$8,222
Management Analyst Spec. I	480 hrs x $18..42 per hr =	$8,842
Management Analyst Spec. II	480 hrs x $20.57 per hr =	$9,874
Revenue Band Manager Band I	880 hrs x $25.05 per hr =	$22,044
	Total =	$56,038

FY 2020 Expenses

Cost for forms - 160,000 - 2 part carbonless copy (approx. $.075 each)	$12,000
Cost for forms - 160,000 - Law Enforcement form (approx. $.075each)	$12,000
Cost for envelopes - 656 @ $0.12 =	$79
Cost for postage - 656 @ $5.48 =	$3,595
Total =	$27,674

Drivers License Fees

	FY 2020	FY 2021
Highway Fund (75%)	$3,566,829	$7,133,658
Cities (15%)	$713,366	$1,426,732
Counties (10%)	$475,577	$951,154
Motorcycle Safety Fund	$101	$202
General Revenue	$1,791,125	$3,582,250

ASSUMPTION (continued)

Oversight will show the administrative costs of the Drivers License Bureau and the projections for increased revenue calculated by DOR in the fiscal note.

ITSD - DOR assume the changes to the Fees and Penalties would require they update TRIPS at a cost of $47,790. They would update GRS at a cost of $7,209. They would update the MV Systems at a cost of $15,957. To update MEDL, MODL and MTAS computer systems it would cost $17,010. They estimate this would cost a total of $87,966 in FY 2020 and additional costs in FY 2021.

MHP Calculations of Motor Vehicle Fees

Officials at the **Missouri Highway Patrol** (**MHP)** assume this proposal increases homemade trailer inspections from $10.00 to $23.50. In 2017, there were 929 inspections meeting the criteria. Therefore, the fiscal impact to the Highway Patrol is approximately $12,541.50 annually and can be handled in-house.

An increase in vessel registration fees would have a positive fiscal impact to the Highway Patrol's Water Patrol Fund. According to the Department of Revenue, this increase would generate $2,583,185 per year, based on the number of vessels in each category (Section 306.030) and the increase per category. If it becomes effective January 1, 2020, half of that additional revenue $1,291,593 would be recorded in FY 2020, and then the full amount each year after.

Motor Vehicle/Driver License Fees as a Whole

Officials at the **Missouri Department of Transportation** defer to the Department of Revenue for fiscal impact.

Officials at the **Missouri Gaming Commission** assume there is no fiscal impact from this proposal.

SUMMARIES

DOR Summary

Table 1- **DOR** Total State Revenue Impact - figures in Millions

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
§32.005 Change in Dept of Revenue Name	$0	($0.3)	($0.3)	$0	$0
§32.070-Streamlined Sales & Use Tax Agreement	$0	$10.6	$21.20	$21.20	$21.20
§32.200-Multistate Tax Compact-3 Factor Elimination	$0	$70.8	$141.6	$141.6	$141.6
§135.025 - §135.030-Senior Property tax credit-Renters no longer qualify	$0	$0	$53.90	$53.90	$53.90
§135.760 - Missouri Earned Income Tax Credit	$0	$0	($61.8)	($61.8)	($61.8)
§143.011-Individual Income Tax Rate changes & **§143.021**-Tax Rate changes due to inflation & **§143.171**-Individual Federal Income Tax Deduction based on Federal Tax Income	$33.4	($164.5)	($394.9)	($298.1)	($242.3)
§143.071- Corporate Tax Rate Changes-5%	$0	($27.60)	($55.20)	($55.20)	($55.20)
§148.030, **§148.140** & **§148.620** - Banking, S&L Corporate Franchise, & Credit Institutions Rate Reduction	$0	($0.1)	($0.1)	($0.1)	($0.1)

DOR (continued)	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
§143.171- Federal Corporate Tax Deduction based on Federal Income Tax	$0	$0	$108.9	$108.9	$108.9
§144.517 - Textbook Exemption Repeal	$1.9	$3.8	$3.8	$3.8	$3.8
§301.025 - §301.449- Registration and Licenses fees of Motor Vehicles - increases the fees & **§301.457- §301.4000**- License Plate Fees- increase the fee & **§306.012**-DOR raise fees on watercraft & **§306.015 - §307.365**-Boat fee increases	$0	$74.6	$149.3	$149.3	$149.3
§302.012- DOR can increase driver and CDL fees based on inflation & **§302.140- §302.735** Driver & CDL fee increases	$0	$5.4	$10.7	$10.7	$10.7
§313.905 & **§313.935** - Fantasy Sports	$0	($0.4)	($0.4)	($0.4)	($0.4)
§143.261-Repeal of Withholding timely filing discount	$0	$15.50	$31.00	$31.00	$31.00
§144.140 and §144.710- Sales/Use tax timely filing discount (2% or $1500, whichever is less)	$0	$3.7	$7.3	$7.3	$7.3
Total State Revenue	**$35.3**	**($8.5)**	**$15.0**	**$112.1**	**$167.9**

ASSUMPTION (continued)

B&P Summary
In total, **B&P** estimates this proposal will increase Total State Revenue by approximately $27.2 million in FY 2020. Once fully implemented, this proposal will increase Total State Revenue by approximately $230.9 million annually. The following tables show the revenue impacts per proposal provision and the impacts to each state fund.

Table 1: **B&P** Revenue Impact by Provision - figures in Millions

	FY 2019	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
Streamlined §32.070	$0.0	$10.6	$21.2	$21.2	$21.2
Eliminate 3 Factor Corporate Allocation §32.200	$0	$70.8	$141.6	$141.6	$141.6
Rental PTC - Elimination §135.025	$0.0	$0.0	$53.9	$53.9	$53.9
Earned Income Tax Credit §135.760	$0.0	$0.0	($34.1)	($34.1)	($34.1)
Individual Income Tax §143.011	$33.4	($164.5)	($394.9)	($298.1)	($242.3)
Veteran Student Loan Forgiveness §143.116	$0.0	$0.0	$0.0	$0.0	$0.0
Kidney Dialysis Exemption §144.030	(Min)	(Min)	(Min)	(Min)	(Min)
Corporate Rate Reduction §143.071	$0	($27.6)	($55.2)	($55.2)	($55.2)
Corporate Federal Tax Deduction §143.171	$0	$0	$108.9	$108.9	$108.9
Withholding Timely Filing Discount Eliminated §143.261	$0	$15.5	$31.0	$31.0	$31.0

B&P (continued)	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
MV Sales & Use Tax Timely Filing Discount Eliminated §144.070	$0.0	$0.0	$0.0	$0.0	$0.0
Sales & Use Tax Timely Filing Discount Changed §144.140	$0	$3.7	$7.3	$7.3	$7.3
Textbook Exemption Repealed §144.517	$1.9	$3.8	$3.8	$3.8	$3.8
Bank Tax Rate Reduction §148.030	$0	($0.1)	($0.2)	($0.2)	($0.2)
Managed Care Reimbursement §208.431	$0	$35.2	$35.2	$35.2	$35.2
Yield Tax §245.075	$0	(Min)	(Min)	(Min)	(Min)
MVDL Fees Chap 301	$0	$80.0	$160.0	$160.0	$160.0
Fantasy Sports	$0	($0.2)	($0.2)	($0.2)	($0.2)
Total Estimated Impact to the State Revenues	**$35.3**	**$27.2**	**$78.3**	**$175.1**	**$230.9**

ASSUMPTION (continued)

Table 2: **B&P** Local Impacts - figures in Millions

B&P (continued)	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
Streamlined §32.070	$0.0	$9.1	$18.3	$18.3	$18.3
Back-to-School Sales Tax Holiday §144.049	$0.0	($0.4)	($0.4)	($0.4)	($0.4)
MV Sales & Use Tax Timely Filing Discount Eliminated §144.070	$0.0	$0.0	$0.0	$0.0	$0.0
Kidney Dialysis Exemption §144.030	(Min)	(Min)	(Min)	(Min)	(Min)
Sales & Use Tax Timely Filing Discount Changed §144.140	$0	$6.5	$13.0	$13.0	$13.0
Show-Me Green Sales Tax Holiday §144.526	($0.4)	($0.4)	($0.4)	($0.4)	($0.4)
Bank Tax Rate Reduction §148.030	$0	($3.9)	($7.7)	($7.7)	($7.7)
MVDL Fees Chap 301	$0	$25.5	$50.9	$50.9	$50.9
Total Estimated Impact to Locals	**($0.4)**	**$36.4**	**$73.7**	**$73.7**	**$73.7**

ASSUMPTION (continued)

Table 3: **B&P** Revenue Impact by State Funds - figures in Millions

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
General Revenue	$34.8	($54.3)	($123.5)	($26.7)	$29.1
Conservation Commission	$0.1	$0.5	$0.9	$0.9	$0.9
Parks, Soil & Water	$0.0	$0.5	$0.8	$0.8	$0.8
School District Trust	$0.4	$4.3	$7.6	$7.6	$7.6
State Highway Fund	$0	$76.4	$152.7	$152.7	$152.7
MO Senior Services Protection Funds	$0.0	$0.0	$40.0	$40.0	$40.0
Gaming Commission	$0.0	($0.2)	($0.2)	($0.2)	($0.2)

Oversight assumes the many programs and changes to existing programs in this proposal may have a positive 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.

FISCAL IMPACT - State Government	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
GENERAL REVENUE				
Additional Revenue Streamlined Sales & Use Agreement §32.070 p. 5-7	$0	$0 or $7,500,000	$0 or $15,100,000	$0 or $15,100,000
Additional Revenue Corporation's 3-Factor Apportionment §32.200 p. 7	$0	$70,800,000	$141,600,000	$141,600,000
Savings - Raising the competitive bidding amount and reverse auctions §34.040 & §34.044 p. 8	$0	Unknown	Unknown	Unknown
Additional Revenue Property Tax Credit renters not eligible §135.025 p. 9-10	$0	$0	$53,900,000	$53,900,000
Additional Revenue Individual & Corporate Federal Income Tax Liability Deduction Phased Out §143.171 p. 17-19	$0	$0	$108,900,000	$108,900,000
Additional Revenue Withholding Timely Filing Discount Eliminated §143.261 p.19	$0	$15,500,000	$31,000,000	$31,000,000

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
GENERAL REVENUE (continued)				
Additional Revenue Vendor Timely Filing Discounts Changed §144.140 p. 21	$0	$3,700,000	$7,300,000	$7,300,000
Additional Revenue Textbook Exemption Repealed §144.517 p. 21	$0 or $1,350,000	$0 or $2,700,000	$0 or $2,700,000	$0 or $2,700,000
Additional Revenue Managed Care Organization provider tax §208.431 - §208.437 p. 23-24	$0	$52,000,000	$52,000,000	$52,000,000
Transfer Out - to Other Managed Care Organization Fund for reimbursement of assessment §208.431 - §208.437 p. 23-24	$0	($16,700,000)	($16,700,000)	($16,700,000)
Savings - DSS Transferred reversible contraceptive devices §208.1070 p. 25-26	$0	$190,425	$237,194	$257,054

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
GENERAL REVENUE (continued)				
Additional Revenue Motor Vehicle & Marine Fees and Penalties Chapters 301 & 306 p.39	$0	$1,842,715	$3,685,430	$3,685,430
Additional Revenue Drivers License Fees Chapter 302 p. 40	$0	$1,791,125	$3,582,250	$3,582,250
Cost - DOR change in name of Department Costs §32.005 p. 4-5	$0	($530,052)	$0	$0
Cost - DOR Streamlined Sales and Use Tax Agreement Integrated Tax System Changes §32.070 p. 5-6	$0 or ($662,114)	$0	$0	$0
Cost - DOR §32.070				
Personal Service	$0 or ($72,520)	$0 or ($87,894)	$0 or ($88,773)	$0 or ($90,558)
Fringe Benefits	$0 or ($48,508)	$0 or ($58,469)	$0 or ($58,730)	$0 or ($59,259)
Equip. & Expenses	$0 or ($26,443)	$0 or ($3,820)	$0 or ($3,914)	$0 or ($4,112)
Total Costs p. 5-7	$0 or ($147,471)	$0 or ($150,183)	$0 or ($151,417)	$0 or ($153,929)
FTE Change - DOR	0 or 3 FTE	0 or 3 FTE	0 or 3 FTE	0 or 3 FTE

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
GENERAL REVENUE (continued)				
Revenue Reduction Earned Income Tax Credit §135.760 p. 11-12	$0	$0	(Could Exceed $42,357,000)	(Could Exceed $42,357,000)
Revenue Reduction Changes to the Individual Income Tax Rate §143.011, .021 & .171 p. 12-16, 42, 44	$33,400,000	($164,500,000)	($394,900,000)	($242,300,000)
Revenue Reduction Corporate Tax Rate Reduction from 6.25% to 5% §143.071 p. 17	$0	($27,600,000)	($55,200,000)	($55,200,000)
Revenue Reduction Bank Tax Rate Reduction §148.030 p. 22-23	$0	($100,000)	($200,000)	($200,000)
Cost - DSS p. 23-24				
Personal Service	$0	($52,804)	($53,332)	($54,404)
Fringe Benefits	$0	($37,259)	($37,416)	($37,734)
Equipment & Exp	$0	($1,304)	($1,336)	($1,403)
Actuarial Study	$0	($50,000)	$0	$0
Total Costs - DSS	$0	($141,367)	($92,084)	($93,541)
FTE Change - DSS	0 FTE	1 FTE	1 FTE	1 FTE

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
GENERAL REVENUE (continued)				
Transfer Out - to Missouri Senior Service Protection Fund §208.1050 p. 24-25	$0	$0	($40,000,000)	($40,000,000)
Transfer Out - Transfer to Emergency Bridge Repair and Replacement Fund §226.228 p. 26-27	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Cost - ITSD computer updates due to MVDL fee changes Chapters 301-306 p. 41	$0	($87,966)	($1,134)	$0
Cost - Motor Vehicle Bureau administrative costs Chapters 301 & 306 p. 38	$0	($97,810)	$0	$0

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
GENERAL REVENUE (continued)				
Cost - Drivers License Bureau administrative costs Chap. 302 p. 40	$0	($95,824)	$0	$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$33,940,415**	**($53,978,937)**	**($129,596,761)**	**$23,020,264**
Estimated Net FTE Change on General Revenue	0 or 3 FTE	1 or 4 FTE	1 or 4 FTE	1 or 4 FTE

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
CONSERVATION COMMISSION FUND				
Additional Revenue Streamline Sales & Use Tax Agreement §32.070 p. 5-7	$0	$0 or $300,000	$0 or $600,000	$0 or $600,000
Additional Revenue Sales & Use Timely Filing Discount Changed & Textbook Exemption Eliminated §144.140 & §144.517 p. 21	$100,000	$200,000	$300,000	$300,000
Revenue Reduction - repeal of the yield tax on timbers §254.075 p. 27	$0	($7,000)	($7,000)	($7,000)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**$100,000**	**$493,000**	**$893,000**	**$893,000**

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
PARKS, SOIL & WATER FUND				
Additional Revenue Streamline Sales & Use Tax Agreement §32.070 p. 5-7	$0	$0 or $300,000	$0 or $500,000	$0 or $500,000
Additional Revenue Sales & Use Timely Filing Discount Changed & Textbook Exemption Eliminated §144.140 & §144.517 p. 21	$0	$200,000	$300,000	$300,000
ESTIMATED NET EFFECT ON PARKS, SOIL & WATER FUND	**$0**	**$500,000**	**$800,000**	**$800,000**

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
SCHOOL DISTRICT TRUST FUND				
Additional Revenue Streamline Sales & Use Tax Agreement §32.070 p. 5-7	$0	$0 or $2,500,000	$0 or $5,000,000	$0 or $5,000,000
Additional Revenue Sales & Use Timely Filing Discount Changed & Textbook Exemption Eliminated §144.140 & §144.517 p. 21	$400,000	$1,800,000	$2,600,000	$2,600,000
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**$400,000**	**$4,300,000**	**$7,600,000**	**$7,600,000**

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
OTHER MANAGED CARE ORGANIZATION FUND				
Transfer In - from General Revenue for provider reimbursement §208.431 - §208.437 p. 23-24	$0	$16,700,000	$16,700,000	$16,700,000
Cost - DSS medicaid program costs	$0	($16,700,000)	($16,700,000)	($16,700,000)
ESTIMATED NET EFFECT ON OTHER MANAGED CARE ORGANIZATION FUND	**$0**	**$0**	**$0**	**$0**

FISCAL IMPACT - State Government (continued)	FY 2019 (6 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2023)
MO SENIOR SERVICES PROTECTION FUND				
Transfer In - from General Revenue §208.1050 p. 24-25	$0	$0	$40,000,000	$40,000,000
ESTIMATED NET EFFECT ON THE MO SENIOR SERVICES PROTECTION FUND	**$0**	**$0**	**$40,000,000**	**$40,000,000**
EMERGENCY BRIDGE REPAIR & REPLACEMENT FUND				
Transfer In - from General Revenue or other eligible sources §226.228 p. 26-27	$0	$0 or Unknown	$0 or Unknown	$0 or Unknown
ESTIMATED NET EFFECT ON THE EMERGENCY BRIDGE REPAIR & REPLACEMENT FUND	**$0**	**$0 or Unknown**	**$0 or Unknown**	**$0 or Unknown**

FISCAL IMPACT - State Government (continued)	FY 2019 (6 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2023)
GAMING COMMISSION FUND				
Cost - GAM p. 28-29				
Personal Service	$0	($100,887)	($101,896)	($103,944)
Fringe Benefits	$0	($50,660)	($50,961)	($52,447)
Equip & Exp	$0	($36,000)	($10,000)	($10,000)
Total Cost - GAM	$0	($187,547)	($162,857)	($166,391)
FTE Change - GAM	0 FTE	2 FTE	2 FTE	2 FTE
Revenue Reduction - Change in Licensing Fees Calculations §313.935 p.28-29	$0	(Could Exceed $13,446)	(Could Exceed $13,446)	(Could Exceed $13,446)
ESTIMATED NET EFFECT ON GAMING COMMISSION	**$0**	**(Could Exceed $200,993)**	**(Could Exceed $176,303)**	**(Could Exceed $179,837)**
Estimated Net FTE Change on Gaming Commission Fund	0 FTE	2 FTE	2 FTE	2 FTE

FISCAL IMPACT - State Government (continued)	FY 2019 (6 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2023)
GAMING PROCEEDS FOR EDUCATION FUND				
Revenue Reduction - Annual Operation Fee Reduced from 11.5 % to 6.0% of Gross Receipts §313.905 p. 28-29	$0	(Could Exceed $175,049)	(Could Exceed $210,059)	(Could Exceed $210,059)
ESTIMATED NET EFFECT ON GAMING PROCEEDS FOR EDUCATION FUND	**$0**	**(Could Exceed $175,049)**	**(Could Exceed $210,059)**	**(Could Exceed $210,059)**
STATE HIGHWAY FUND				
Additional Revenue Motor Vehicle & Marine Fees and Penalties Chapters 301 & 306 p. 39	$0	$72,801,950	$145,603,900	$145,603,900
Additional Revenue Drivers License Fees Chapter 302 p. 40	$0	$3,566,829	$7,133,658	$7,133,658
ESTIMATED NET EFFECT ON STATE HIGHWAY FUND	**$0**	**$76,368,779**	**$152,737,558**	**$152,737,558**

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
MOTORCYCLE SAFETY FUND				
Additional Revenue				
Drivers License Fees Chapter 302 p. 40	$0	$101	$202	$202
ESTIMATED NET EFFECT ON THE MOTORCYCLE SAFETY FUND	**$0**	**$101**	**$202**	**$202**
HIGHWAY PATROL WATER PATROL FUND				
Additional Revenue				
Trailer Inspection Fee Chapter 306 p. 41	$0	$1,291,593	$2,583,185	$2,583,185
ESTIMATED NET EFFECT ON HIGHWAY PATROL WATER PATROL FUND	**$0**	**$1,291,593**	**$2,583,185**	**$2,583,185**

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
FEDERAL FUNDS				
Income - DSS p. 23-24 managed care organizations provider tax assessment §208.431 - 208.437	$0	$31,400,000	$31,400,000	$31,400,000
Income - DSS program reimbursement	$0	$91,367	$92,084	$93,541
Cost - DSS program costs §208.431 - 208.437 p. 22-24	$0	($31,400,000)	($31,400,000)	($31,400,000)
Cost - DSS				
Personal Service	$0	($52,804)	($53,332)	($54,404)
Fringe Benefits	$0	($37,259)	($37,416)	($37,734)
Equipment & Exp	$0	($1,304)	($1,336)	($1,403)
Total Costs - DSS	$0	($91,367)	($92,084)	($93,541)
FTE Change - DSS	0 FTE	1 FTE	1 FTE	1 FTE
Savings - DSS Reduction in program expenditures §208.1070 p. 26	$0	$356,820	$444,455	$477,385

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
FEDERAL FUNDS (continued)				
Losses - DSS Reduction in program reimbursements §208.1070 p. 26	$0	($356,820)	($444,455)	($477,385)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	**$0**	**$0**	**$0**	**$0**
Estimated FTE Change on Federal Funds	0 FTE	1 FTE	1 FTE	1 FTE

FISCAL IMPACT - Local Government	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
LOCAL POLITICAL SUBDIVISIONS				
Additional Revenue Streamlined Sales & Use Agreement §32.070 p. 5-7	$0	$0 or $9,100,000	$0 or $18,300,000	$0 or $18,300,000
Additional Revenue Vendor Timely Filing Discount Changed §144.140 p. 21, 46	$0	$6,500,000	$13,000,000	$13,000,000
Additional Revenue Cities - MV & Marine Fees and Penalties Chapters 301 & 306 p.39	$0	$14,560,390	$29,120,780	$29,120,780
Additional Revenue Counties - Motor Vehicle & Marine Fees and Penalties Chapters 301 & 306 p. 39	$0	$9,706,926	$19,413,852	$19,413,852
Additional Revenue Cities - Drivers License Fees Chapters 302 p. 40	$0	$713,366	$1,426,732	$1,426,732

FISCAL IMPACT - Local Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
LOCAL POLITICAL SUBDIVISIONS (continued)				
Additional Revenue Counties - Drivers License Fees Chapters 302 p. 40	$0	$475,577	$951,154	$951,154
Revenue Reduction Cities and Counties not able to opt out of School Tax Holiday §144.049 p. 20	$0	$0 or ($400,000)	$0 or ($400,000)	$0 or ($400,000)
Revenue Reduction Cities and Counties not able to opt out of Show Me Green Sales Tax Holiday §144.526 p. 22	$0 or ($400,000)	$0 or ($400,000)	$0 or ($400,000)	$0 or ($400,000)
Revenue Reduction Bank Tax Rate Reduction §148.030 p. 22	$0	($3,900,000)	($7,700,000)	($7,700,000)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISION FUNDS	**$0 or ($400,000)**	**$36,356,259**	**$73,712,518**	**$73,712,518**

FISCAL IMPACT - Small Business

Small businesses will be impacted by several provisions in this proposal.

FISCAL DESCRIPTION

DEPARTMENT NAME CHANGE - This bill changes the name of the Department of Revenue to the Department of Taxation and Revenue. (§32.005 - §32.006)

STREAMLINED SALES AND USE TAX - This bill requires the Director of the Department of Revenue to enter into the "Streamlined Sales and Use Tax Agreement" with one or more states to simplify and modernize sales and use tax administration in order to substantially reduce the burden of tax compliance for all sellers and types of commerce. The bill specifies that:

(1) When a city annexes or detaches property, the city clerk must forward a certified copy of the ordinance to the department director within 10 days of adoption of the ordinance. The tax rate in the added or abolished territory must become effective on the first day of the calendar quarter 120 days after the sellers receive notice of the change (§32.087.18);

(2) When a political subdivision changes the tax rate or the local sales tax boundary, the change must become effective on the first day of the calendar quarter 120 days after the sellers receive notice of the change (§32.087.19); and

(3) When specified political subdivisions repeal an existing tax, the repeal must become effective on the first day of the calendar quarter 120 days after notice to sellers (§66.620 - §67.1545, §67.1775, §67.2000, and §67.2530).

The bill also:
(1) Requires the department to establish the necessary rules to implement the compliance provisions of the agreement. The state must be represented by three delegates including a person appointed by the Governor, a member of the General Assembly appointed by mutual consent of the President Pro Tem of the Senate and the Speaker of the House of Representatives, and the department director or his or her designee. The delegates must make an annual report by January 15 on the status of the agreement (§32.070);

(2) Authorizes the department director to retain 1% of the amount of any local sales or use taxes collected by the department for the cost of collection (§32.086 and §67.395 - §67.576);

FISCAL DESCRIPTION (continued)

(3) Requires the department director to perform all functions regarding the administration, collection, enforcement, and operation of all sales taxes. All state and local sales taxes must have the same base which means that exemptions at the state and local level must be identical (§67.1545, §67.2030, and §67.2530);

(4) Defines "delivery charges," "food and food ingredients," "bottled water," "candy," "ancillary services," "lease or rental," and "purchase price" as they apply in the streamlined agreement. The bill also defines "engages in business activities within this state" and "maintains a place of business in this state" as they relate to the collection of taxes and defines "tangible personal property" to exclude specified digital products, digital audiovisual works, digital audio works, and digital books (§144.010);

(5) Changes the definition of "durable medical equipment" by removing the requirement that it be for home use and the definition of "prepared food" to exclude food sold that ordinarily requires additional cooking as opposed to just reheating by the consumer prior to consumption (§144.010);

(6) Establishes rules to determine the taxability of bundled transactions involving both taxable and nontaxable goods or services (§144.022);

(7) Requires uniform sourcing rules to determine what tax rates will apply to certain transactions (§144.043, and §144.111 - §144.112);

(8) Requires the department director to participate in an online registration system that will allow sellers to register in this state and other member states. Registration with the central registration system and the collection of sales and use taxes in this state must not be used as a factor in determining whether the seller has nexus with this state for any tax at any time (§144.082);

(9) Requires the department director to establish rules and regulations for the remittance of sales and use taxes that allow for payments by all remitters and requires a seller to submit its sales and use tax returns electronically in a simplified format approved and prescribed by the department director (§144.084);

(10) Requires a seller to be allowed a deduction from taxable sales for bad debts attributable to taxable sales that have become un-collectable (§144.105);

FISCAL DESCRIPTION (continued)

(11) Requires the department director to provide and maintain an electronic database that describes boundary changes for all taxing jurisdictions and the effective dates of the changes for sales and use tax purposes, a database of all sales and use tax rates for all taxing jurisdictions, and a database that assigns each five- and nine-digit zip code to the proper rates and taxing jurisdictions.

The department director must complete a taxability matrix and provide reasonable notice of changes in the taxability of products or services listed in the matrix. A seller or certified service provider can be liable for reliance upon erroneous data provided by the department director on tax rates, boundaries, or taxing jurisdiction assignments (§144.123 - §144.124);

(12) Authorizes an amnesty to certain out-of-state sellers with uncollected or unpaid sales or use tax if the seller was not registered in Missouri in the prior 12-month period before the effective date of this state's participation in the streamlined agreement (§144.125); and

(13) Requires the department director to provide a monetary allowance under the automated collection system for sellers and certified service providers for collecting and remitting the state and local sales taxes. Currently, sellers are allowed to keep 2% for collecting and timely remitting the tax. A seller cannot simultaneously receive this monetary allowance and the 2% timely filing deduction (§144.140 and §144.710).

SALES AND USE TAX CHANGES FOR STREAMLINED SALES AND USE TAX - The bill:

(1) Authorizes a state and local sales and use tax exemption for sales of over-the-counter drugs to individuals with disabilities, and all sales of durable medical equipment, prosthetic devices, mobility enhancing equipment, and drugs dispensed by prescription (§144.030.2(19));

(2) Revises the list of items exempted from state and local sales and use tax to add all sales of piped natural or artificial gas or other fuels delivered by the seller for domestic use and to remove all sales of electrical current, natural, artificial or propane gas, wood, coal, or home heating oil. It also repeals the exemption for all sales of water service for domestic use in the City of St. Louis (§144.030.2(24) and §144.032);

(3) Authorizes a state and local sales and use tax exemption for school instructional materials (§144.030.2(45));

FISCAL DESCRIPTION (continued)

(4) Changes the purchase limits on the back-to-school sales tax holiday from a per transaction limit to a per item limit and adds instructional materials and school computer supplies (§144.049); and

(5) Requires any out-of-state seller who voluntarily collects and remits use tax to file and remit the tax annually unless the amount is equal to $1,000 or more. The seller must file and remit the use tax for the month when $1,000 or more is due (§144.655.7).

The provisions of the bill regarding the "Streamlined Sales and Use Tax Agreement" will become effective January 1, 2019 pending a decision in the South Dakota v Wayfair Inc case pending at the U.S. Supreme Court.

SINGLE SALES FACTOR APPORTIONMENT - Currently, a corporation can use three factor apportionment (property, payroll, & sales) or single factor (sales) apportionment to determine its Missouri taxable income when the corporation has both in-state and out-of-state income. This bill eliminates the three factor, requiring corporations to use single factor (§32.200).

SENIOR CITIZENS PROPERTY TAX CREDIT FOR RENTERS - This bill prohibits the issuance of the renter's portion of the senior citizens property tax credit (§135.025 to §135.030).

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. This bill eliminates some of the tax rate brackets so that the top tax rate is 5% for all income over $7,000, indexed for inflation beginning in the 2020 calendar year (§143.011 and §143.021).

CORPORATE INCOME TAX - Beginning January 1, 2020, this bill reduces the corporation tax rate from 6.25% to 5% (§143.071).

FEDERAL TAX DEDUCTION - Currently, an individual can deduct his or her federal income tax liability up to $5,000 or if a combined return, up to $10,000; and a corporation can deduct up to 50% of its federal income tax liability. Beginning January 1, 2020, this bill phases out this deduction for both individuals and corporations based on taxable income limits (§143.171).

FISCAL DESCRIPTION (continued)

WITHHOLDING TAX COMPENSATION - Currently, an employer is allowed to retain an amount between .5% to 2% of the amount of withholding tax due to the state if the employer timely remits the tax due on or before the due date. This bill repeals such allowance (§143.225 and §143.261).

SALES AND USE TAX ALLOWANCE - Currently, a vendor is allowed to retain 2% of the amount of sales or use tax due to the state if the vendor timely remits the tax due on or before the due date. This bill changes the amount of the allowance (§144.070, §144.140 and §144.710).

MANAGED CARE ORGANIZATIONS - Currently, each Medicaid managed care organization in this state must pay, in addition to all other fees or taxes required by law, a Medicaid managed care organization reimbursement based on a formula set forth in rules promulgated by the Department of Social Services. Beginning July 1, 2018, this bill changes the allowance to managed care organizations including Health Maintenance Organizations (HMOs) providing benefits to MO HealthNet managed care program eligibility groups. The managed care organization reimbursement allowance may be imposed on the basis of revenue or enrollment and can impose differential rates on Medicaid and commercial business. The Department of Social Services must recognize the cost of the reimbursement allowance as a cost in calculating actuarially sound reimbursement rates (§208.431 to §208.437).

MO SENIOR SERVICES PROTECTION FUND - This bill requires the Department of Revenue to calculate the amount claimed for the federal tax liability deduction of corporations in Section 143.171 in the 2018 fiscal year and allocate up to $40 million to be transferred, upon appropriation, from the General Revenue Fund to the Missouri Senior Services Protection Fund annually (§208.1050).

LOAN FORGIVENESS - Beginning January 1, 2020, this bill authorizes an individual income tax deduction equal to 100% of any student loan forgiveness a veteran with a total service-connected disability received from the Teacher Loan Forgiveness Program administered by the United States Department of Education. (§143.116)

CONTRACEPTIVES - This bill permits a long-acting reversible contraceptive (LARC) that is prescribed to and obtained for a MO HealthNet participant to be transferred to another MO HealthNet participant if the LARC was not delivered to, implanted in, or used on the original MO HealthNet participant to whom the LARC was prescribed. In order for a LARC to be transferred, certain provisions must be met as specified in the bill. (§208.1070)

FISCAL DESCRIPTION (continued)

EMERGENCY BRIDGE REPAIR AND REPLACEMENT FUND - This bill creates the "Emergency Bridge Repair and Replacement Fund," which consists of funds from General Revenue to the Department of Transportation for accelerated bridge replacements or immediate repairs to bridges in critical disrepair, subject to appropriation. (§226.228)

FANTASY SPORTS - This proposal reduces the annual license renewal fee from $10,000 to a lower amount based upon the net revenue of the operator from the previous calendar year. An operator that made $250,000 or less would not be required to pay an annual license renewal fee. The bill also reduces the annual operation fee from 11.5% of the operator's net revenue from the previous calendar year to 6%. (§313.905 and §313.935)

An amendment added to this proposal changed the effective date of many of the provisions to January 1, 2020.

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

Callaway County
City of Kansas City
City of Springfield
Department of Conservation
Department of Corrections
Department of Economic Development
Department of Health and Senior Services
Department of Higher Education
Department of Insurance, Financial Institutions and Professional Registration
Department of Mental Health
Department of Natural Resources
Department of Revenue
Department of Social Services
Joint Committee on Administrative Rules
Kirksville R-III School District
Missouri Department of Transportation
Missouri Development Finance Board
Missouri Gaming Commission

SOURCES OF INFORMATION (continued)

Missouri Highway Patrol
Office of Administration
  Division of Budget and Planning
  Division of Purchasing
  Information Technology Services Division
Office of the State Treasurer
Summersville R-II School District
St. Louis County
University of Missouri's Economic and Policy Analysis Research Center
Wellsville-Middletown R-I School District

Ross Strope

Acting Director
April 17, 2018

JH:LR:OD