COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6148-03
Bill No.: 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: March 14, 2018

Bill Summary: This proposal changes the laws regarding the collection of state moneys.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
General Revenue	($445,216,430)	($799,758,106)	($696,908,923)	($544,412,892)
Total Estimated Net Effect on General Revenue	**($445,216,430)**	**($799,758,106)**	**($696,908,923)**	**($544,412,892)**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 65 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
Conservation Commission	$493,000	$1,193,000	$1,493,000	$1,493,000
Parks, Soil & Water	$300,000	$1,000,000	$1,200,000	$1,200,000
School District Trust	$3,600,000	$9,800,000	$12,300,000	$12,300,000
Other Managed Care Organization*	$0*	$0*	$0*	$0*
Mo Senior Services Protection Fund	$0	$40,000,000	$40,000,000	$40,000,000
State Highway Fund	$78,858,251	$160,414,380	$160,414,380	$160,414,380
Motorcycle Safety Fund	$101	$202	$202	$202
Highway Patrol Water Patrol Fund	$1,291,593	$2,583,185	$2,583,185	$2,583,185
Total Estimated Net Effect on Other State Funds	**$84,542,945**	**$214,990,767**	**$217,990,767**	**$217,990,767**

* 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
Federal	0 FTE	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	**0 or 3 FTE**	**2 or 5 FTE**	**2 or 5 FTE**	**2 or 5 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	**$45,886,083**	**$101,772,126**	**$110,972,126**	**$110,972,126**

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 $1 million 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	$578,598.00
Cost to revise - staff labor (600 hours @ $19.45/hr.)	$11,670.00
Cost to reprint/replace existing stock	$567,288.00
Procedures (170 hours @ $15.92/hr.).	. $2,706.00
Website .(120 hours @ $23.88/hr.)	.. $1,910.00
GRAND TOTAL	$583,214.00

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 CTG/EDW Tax Documents which is estimated to cost $375,840. Changes to the Motor Fuel & Misc small systems at a cost of $7,452. Changes to MINITS at a cost of $16,605. Changes to COINS at a cost of $3,726. Changes to CACS at a

ASSUMPTION (continued)

cost of $16,605. Which brings the ITSD totals for this section to $420,228.

Oversight notes this proposal requires the switch in the name upon the bill being effective. Oversight will show the administrative costs and the computer costs in the fiscal note all in FY 2019.

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. 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, which directs DOR to join the SSUTA, is not included in Section D. B&P also notes that a

ASSUMPTION (continued)

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.

Officials at the **Department of Conservation** assume 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 Conservation Sales Tax funds.

ASSUMPTION (continued)

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.

§32.200 Apportionment Method
Officials at the **B&P** assume that beginning with tax year 2019, this section would eliminate the 3-factor corporate income allocation method. B&P notes that this proposal continues to allow business to use the 3-factor allocation method while eliminating the instructions on how to complete the 3-factor allocation method. B&P further notes that this could allow businesses to choose their own allocation categories in order to eliminate Missouri tax liability. Based on FY 2017 net corporate collections of $276.2 million, B&P estimates that this provision could reduce corporate tax collections by $276.2 million annually, once fully implemented in FY 2020.

Officials at the **DOR** assume this section repeal the how to file three-factor apportionment method from Article IV as well as removes the definition of compensation within Article IV. With the repeal of the definitions of the 3 factors, the Department estimates a decrease in state revenues by an estimated $270.2 million each fiscal year. This is due to the Department believes businesses that apportion using the 3 Factor Method will continue to use, but with the rules being removed on how to apportion, many will no longer have a Missouri tax liability.

ASSUMPTION (continued)

Oversight notes the effective date of this provision is January 1, 2019 (FY 2019) and therefore will show the impact starting in the year in which the tax returns are filed which is FY 2020. Oversight will use the estimate provided by B&P.

§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** 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 2019.

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

ASSUMPTION (continued)

items being bid. Therefore, Oversight will reflect a positive unknown to the General Revenue Fund when this proposal starts in FY 2019.

§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 secure 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).

Officials at the **Missouri Development Finance Board** defers 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 FY1 207 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 2018. For the purposes of this fiscal note, B&P assumes that the PTC would no longer be available for renters starting with tax year 2018. Therefore, B&P estimates that this provision will increase Total State Revenue and General Revenue by $53.9 million annually beginning in FY 2020.

ASSUMPTION (continued)

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.

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, 2019 (FY 2019) and therefore will show the impact starting in the year in which the tax returns are filed which is FY 2020. 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).

ASSUMPTION (continued)

§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.

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).

§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 2019: §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 2020 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 provision would make the 5% pass-through business income exemption retroactive to tax year 2017. Therefore, B&P estimates that taxpayers will amend their 2017 tax returns beginning on January 1, 2019 when this section becomes enacted, per §B. For the purpose of this fiscal note, B&P will assume that the full impact from the 2017 amended returns will occur in FY 2019.

ASSUMPTION (continued)

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.

Section 143.161 would end the dependency and stillbirth exemptions as well as the additional deduction for head of household 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.

Section 143.171 would eliminate the caps on the federal income tax deduction, which are currently set at $5,000 for single and head-of-household filers and $10,000 for married filing-joint, starting with tax year 2019. This section would also phase out the amount of federal taxes an individual may claim based on their federal taxable income. The following table shows the phase-out of the federal income 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%

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 $307.3 million in FY 2019. Once fully implemented, these provisions will decrease Total State Revenue and General Revenue by $444.7 million.

ASSUMPTION (continued)

The following table shows the estimated impact by tax year.

Tax Year	General Revenue Impact
2017	($12.8)
2018	$20.00
2019	($738.9)
2020	($638.1)
2021	($540.8)
2022	($444.7)

The following table shows the estimated impact by fiscal year.

Fiscal Year	General Revenue Impact
2019*	($307.3)
2020	($692.4)
2021	($597.2)
2022	($500.4)
2023	($444.7)

* Includes amended returns for 2017 from the business pass-through exemption and the elimination of the head of household deduction in tax year 2018.

ASSUMPTION (continued)

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

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.

The Department believes this proposed section may decrease state revenues by $307.3 million in FY 2019 and $444.7 million when fully implemented in FY 2023.

EPARC Calculation

Officials at the **University of Missouri's Economic and Policy Analysis Research Center** (**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 ends personal exemptions by 2018. This bill would restrict the federal income tax deduction for certain incomes in the following manner:

ASSUMPTION (continued)

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 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

ASSUMPTION (continued)

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 $4,872.947 million. This is a decrease in Net Tax Due of $581.057 million from the baseline. Therefore, this corresponds to a decrease in Net General Revenue of $581.057 million due to this change in the Missouri tax brackets and rates.

Oversight will use the estimated fiscal year numbers provided by B&P and DOR.

§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, 2019, 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, 2019, 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 lower state revenue by $27.60 million in FY 2019 and $55.2 million annually thereafter.

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 2019. 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.

ASSUMPTION (continued)

Oversight notes the effective date of this provision is January 1, 2019 (FY 2019) and therefore will show the impact starting in the year in which the tax returns are filed which is FY 2020. Oversight will use the estimates provided by B&P and DOR.

§143.171 Individual and Corporate Federal Income Tax Liability Deduction
Officials at the **B&P** assume §143.171 would eliminate the cap for the corporate federal tax deduction, which is currently set at 50% of a corporation's tax liability. The section would also phase-out the deduction based a corporation's federal taxable income. 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%

Based on information from DOR, B&P estimates that this provision could increase Total State Revenue and General Revenue by $107.7 million annually beginning FY 2020.

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, 2019, 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, 2019, the amount of the deduction shall be the sum of the following amounts:

ASSUMPTION (continued)

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, 2019, the amount of the deduction shall be the sum of the following amounts:

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 $107.7 million.

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

ASSUMPTION (continued)

§143.261 Withholding Timely Filing Discount - Repealed
Officials at the **B&P** assume this would end the withholding timely filing discount beginning in tax year 2019. 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 2019 and by $31 million in FY 2020 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 may have an estimated $31 million increase to General Revenue.

Oversight notes the effective date of this provision is January 1, 2019 (FY 2019) and therefore will show only six months of impact in FY 2019. Oversight will use the estimates provided by B&P and DOR.

§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 Timely Filing Discount for Motor Vehicle Dealers
Officials at the **B&P** assume this section would cap the sales tax timely filing discount granted to motor vehicle dealers at 2% or $1,000 per remittance, 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.

§144.140 and §144.710 Sales and Use Timely Filing Discounts
Officials at the **B&P** assume that beginning January 1, 2019, these sections would cap the sales and use tax timely filing discounts at 2% or $1,000 per remittance. B&P notes that because the limit is per remittance and not per period, quarter-monthly filers would receive a discount of either 2% or $4,000 per month, while monthly filers would receive a discount of either 2% or $1,000 per month. The table below show the annual cumulative cap by the frequency in which businesses remit sales and use taxes.

Filing Frequency	Annual Cap
Quarter-Monthly	$48,000
Monthly	$12,000
Quarterly	$4,000
Annual	$1,000

Based on information from DOR, there were $129.0 million in sales and use tax timely filing discounts in FY 2017. B&P estimates that instituting the 2% up to $1,000 per remittance cap would increase sales and use tax collections by $74.6 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 $74.6 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 $13.4 million and General Revenue by $9.5 million in FY 2019. Beginning in FY 2020 and annually thereafter, this section will increase Total State Revenue by $26.9 million and General Revenue by $19.1 million. This section will also increase local funds by $47.7 million once fully implemented.

Oversight notes the effective date of the proposal is January 1, 2019 (FY 2019) and therefore will show only six months of impact in FY 2019.

ASSUMPTION (continued)

§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 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.

ASSUMPTION (continued)

§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 2019 and $0.2 million annually, once fully implemented in FY 2020. B&P also estimates that this will reduce local revenues by $7.7 million once fully implemented

Oversight notes the effective date of this provision is January 1, 2019 (FY 2019) and therefore will show only six months of impact in FY 2019. 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 a Health Maintenance Organizations (HMOs) defined in §354.400, including health maintenance

ASSUMPTION (continued)

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 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.

ASSUMPTION (continued)

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 2018. 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 2020.

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 2018. 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 Fund.

The Department believes this proposed section may decrease state revenues by $40 million in FY 2019 and each year thereafter.

Officials at the **Department of Health and Senior Services** (**DHSS**) defers 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 in to 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, in this proposal the

ASSUMPTION (continued)

corporate deduction changes how it is calculated starting January 1, 2019. 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.

§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).

§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 **Office of Administration's Division of Accounting**, **Office of Administration's Facilities Management, Design and Construction**, **Department of Mental Health**, and the **Joint Committee on Administrative Rules** each assume there was no fiscal impact from this proposal to their organization.

Officials at the **City of Kansas City** assume there is no fiscal impact from this proposal.

Officials at the **City of Springfield** assume this would have a potential negative fiscal impact to the City.

Officials at the **Summersville R-II School District** assume an unknown negative impact.

Officials at **St. Louis County** assume the impact in unknown.

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

Officials at the **Wellsville-Middletown R-I School District** assume 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.

ASSUMPTION (continued)

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

In response to similar legislation filed this year, officials from the **Office of the Secretary of State (SOS)** stated 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 $82.5 million in FY 2019 and $165.0 million annually, once fully implemented in FY 2020. B&P further estimates that these provisions will increase local funds by $26.3 million in FY 2019 and $52.6 million annually, once fully implemented in FY 2020. 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, 2019.

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 19 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 19 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	$975.00	$562.00	876	$492,312.00	$246,156.00
	48	$550.50	$1,300.00	$749.50	785	$588,357.50	$294,178.75
	54	$688.00	$1,625.00	$937.00	2,409	$2,257,233.00	$1,128,616.50
	60010	$825.50	$1,950.00	$1,124.50	660	$742,170.00	$371,085.00
	66	$1,100.50	$2,600.00	$1,499.50	582	$872,709.00	$436,354.50
	73280	$1,375.50	$3,250.00	$1,874.50	199	$373,025.50	$186,512.75
	78	$1,650.50	$3,895.00	$2,244.50	41	$92,024.50	$46,012.25
	80	$1,719.50	$4,060.00	$2,340.50	2,103	$4,922,071.50	$2,461,035.75
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 19 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	$875.00	$504.50	24	$12,108.00	$6,054.00
	38-41	$410.50	$970.00	$559.50	14	$7,833.00	$3,916.50
	42-45	$450.50	$1,065.00	$614.50	213	$130,888.50	$65,444.25
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 19 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 19 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	$1,300.00	$750.00	0	$0.00	$0.00
301.580	Special Motor Vehicle Auction Permit	$1,000.00	$2,360.00	$1,360.00	1	$1,360.00	$680.00
	Penalty	$500.00	$1,180.00	$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
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

Section	Fee/Class	Old Fee	New Fee	Increased Amount	FY 2017 Transactions Processed	Annual Increase	FY 19 Increase (6 months)
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
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

§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.

§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.

ASSUMPTION (continued)

§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.

§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.

ASSUMPTION (continued)

§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
306.015	Marine Title Fee	$7.50	$17.50
	Title Penalty		
	30 days	$10.00	$25.00
306.016	Doc Vessel	$7.50	$17.50
	Penalty	$10.00	$25.00
	Temp	$5.00	$12.00
306.030	Marine Reg Fees		
	16	$25.00	$60.00
	16-26	$55.00	$130.00
	26-40	$100.00	$240.00
	40+	$150.00	$350.00
	16-28 wood	$55.00	$130.00
306.031	Marine ID Replacement	$7.50	$17.50
306.060	Marine Temp Permit	$5.00	$12.00
306.435	Marine Repo	$10.00	$24.00
306.535	OBM Title	$5.00	$12.00
	OBM reg	$2.00	$5.00
	Title Penalty		
	60 days	$10.00	$25.00
306.550	OBM Temp	$2.00	$5.00

ASSUMPTION (continued)

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 2019 - 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

The Bureau assumes this proposal requires all fees and penalties within Chapter 301 and 306 to increase effective January 1, 2019.

Increased Motor Vehicle/Marine Fees and Penalties:

	FY 19	FY 20
Highway Fund (75%)	$75,291,422	$153,282,722
Cities (15%)	$15,058,284	$30,656,544
Counties (10%)	$10,038,856	$20,437,696
General Revenue	$1,842,715	$3,752,328

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);

ASSUMPTION (continued)

- 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;
- 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.

FY19 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
FY19 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
FY19 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

ASSUMPTION (continued)

Drivers License Fees

	FY 2019	FY 2020
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

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 2019 and additional costs in FY 2020.

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 and the increase per category. If it becomes effective January 1, 2019, half of that additional revenue $1,291,593 would be recorded in FY 2019, and then the full amount each year after.

ASSUMPTION (continued)

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	($1.0)	$0	$0	$0	$0
§32.070-Streamlined Sales & Use Tax Agreement	$0.0	$10.6	$21.20	$21.20	$21.20
§32.200-Multistate Tax Compact-3 Factor Elimination	($138.1)	($276.2)	($276.2)	($276.2)	($276.2)
§135.025 - §135.030-Senior Property tax credit-Renters no longer qualify	$0.0	$53.90	$53.90	$53.90	$53.90
§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	($307.3)	($692.4)	($597.2)	($500.4)	($444.7)
§143.071- Corporate Tax Rate Changes-5%	($27.60)	($55.20)	($55.20)	($55.20)	($55.20)

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
§148.030 Banking, S&L Corporate Franchise, & Credit Institutions Rate Reduction	($0.1)	($0.1)	($0.1)	($0.1)	($0.1)
§143.171- Corporate Federal Tax Deduction based on Federal Income Tax	$0.0	$107.70	$107.70	$107.70	$107.70
§144.517 - Textbook Exemption Repeal	$1.9	$3.8	$3.8	$3.8	$3.8
§208.431- §208.437- Managed Care Organizations	N/A	N/A	N/A	N/A	N/A
§208.1050-Missouri Senior Services Protection Fund, new funding source	($40.00)	($40.00)	($40.00)	($40.00)	($40.00)
§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	$77.1	$154.2	$154.2	$154.2	$154.2
§302.012- DOR can increase driver and CDL fees based on inflation & **§302.140- §302.735** Driver & CDL fee increases	$5.4	$10.8	$10.8	$10.8	$10.8

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
§143.261-Repeal of Withholding timely filing discount	$15.50	$31.00	$31.00	$31.00	$31.00
§144.140 and §144.710- Change Sales/Use tax timely filing discount	$13.5	$26.9	$26.9	$26.9	$26.9
Total State Revenue	**($398.7)**	**($665)**	**($559.2)**	**($462.4)**	**($406.7)**

B&P Summary
In total, **B&P** estimates this proposal will decrease Total State Revenue by less than $359.8 million in FY 2019. Once fully implemented this proposal will decrease Total State Revenue by less than $366.8 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	($138.1)	($276.2)	($276.2)	($276.2)	($276.2)
Rental PTC - Elimination §135.025	$0.0	$53.9	$53.9	$53.9	$53.9
Individual Income Tax §143.011	($307.3)	($692.4)	($597.2)	($500.4)	($444.7)
Corporate Rate Reduction §143.071	($27.6)	($55.2)	($55.2)	($55.2)	($55.2)
Corporate Federal Tax Deduction §143.171	$0	$107.7	$107.7	$107.7	$107.7

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Withholding Timely Filing Discount Eliminated §143.261	$15.5	$31.0	$31.0	$31.0	$31.0
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	$13.4	$26.9	$26.9	$26.9	$26.9
Textbook Exemption Repealed §144.517	$1.9	$3.8	$3.8	$3.8	$3.8
Bank Tax Rate Reduction §148.030	($0.1)	($0.2)	($0.2)	($0.2)	($0.2)
Managed Care Reimbursement §208.431	N/A	N/A	N/A	N/A	N/A
MVDL Fees Chap 301	$82.5	$165.0	$165.0	$165.0	$165.0
Total Estimated Impact to the State Revenues	**($359.8)**	**($625.1)**	**($519.3)**	**($422.5)**	**($366.8)**

ASSUMPTION (continued)

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

	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
Sales & Use Tax Timely Filing Discount Changed §144.140	$23.9	$47.7	$47.7	$47.7	$47.7
Show-Me Green Sales Tax Holiday §144.526	($0.4)	($0.4)	($0.4)	($0.4)	($0.4)
Bank Tax Rate Reduction §148.030	($3.9)	($7.7)	($7.7)	($7.7)	($7.7)
MVDL Fees Chap 301	$26.3	$52.6	$52.6	$52.6	$52.6
Total Estimated Impact to Locals	**$45.9**	**$100.9**	**$110.1**	**$110.1**	**$110.1**

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	($443.1)	($834.8)	($732.0)	($635.2)	($579.5)
Conservation Commission	$0.5	$1.2	$1.5	$1.5	$1.5
Parks, Soil & Water	$0.3	$1.0	$1.2	$1.2	$1.2
School District Trust	$3.6	$9.8	$12.3	$12.3	$12.3
State Highway Fund	$78.9	$157.7	$157.7	$157.7	$157.7
MO Senior Services Protection Funds	$0.0	$40.0	$40.0	$40.0	$40.0

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.

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

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
Savings - Raising the competitive bidding amount and reverse auctions §34.040 & §34.044 p. 8-9	Unknown	Unknown	Unknown	Unknown
Additional Revenue Property Tax Credit renters not eligible §135.025 p. 9-10	$0	$53,900,000	$53,900,000	$53,900,000
Additional Revenue Individual & Corporate Federal Income Tax Liability Deduction Phased Out §143.171 p. 17-18	$0	$107,700,000	$107,700,000	$107,700,000
Additional Revenue Withholding Timely Filing Discount Eliminated §143.261 p.19	$15,500,000	$31,000,000	$31,000,000	$31,000,000

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
GENERAL REVENUE (continued)				
<u>Additional Revenue</u> Sales & Use Timely Filing Discounts Changed §144.140 p. 20	$9,500,000	$19,100,000	$19,100,000	$19,100,000
<u>Additional Revenue</u> 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
<u>Additional Revenue</u> Managed Care Organization provider tax §208.431 - §208.437 p. 22-24	$0	$52,000,000	$52,000,000	$52,000,000
<u>Additional Revenue</u> Motor Vehicle & Marine Fees and Penalties Chapters 301 & 306 p.36	$1,842,715	$3,752,328	$3,752,328	$3,752,328
<u>Additional Revenue</u> Drivers License Fees Chapter 302 p. 38	$1,791,125	$3,582,250	$3,582,250	$3,582,250
<u>Cost</u> - DOR change in name of Department Administrative Costs §32.005 p. 4-5	($588,857)	$0	$0	$0

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
GENERAL REVENUE (continued)				
Cost - DOR change in name of Department ITSD Costs §32.005 p. 4-5	($420,228)	$0	$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. 5-6	$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
Reduction Revenue Corporation's 3-Factor Apportionment §32.200 p. 7-8	($138,100,000)	($276,200,000)	($276,200,000)	($276,200,000)
Revenue Reduction Changes to the Individual Income Tax Rate §143.011, .021 & .171 p. 11-16	($307,300,000)	($692,400,000)	($597,200,000)	($444,700,000)

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
GENERAL REVENUE (continued)				
Revenue Reduction Corporate Tax Rate Reduction from 6.25% to 5% §143.071 p. 16-17	($27,600,000)	($55,200,000)	($55,200,000)	($55,200,000)
Revenue Reduction Bank Tax Rate Reduction §148.030 p. 22	($100,000)	($200,000)	($200,000)	($200,000)
Transfer Out - to Other Managed Care Organization Fund for reimbursement of assessment §208.431 - §208.437 p. 22-24	$0	($16,700,000)	($16,700,000)	($16,700,000)
Cost - DSS p. 22-24				
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
Transfer Out - to Missouri Senior Service Protection Fund §208.1050 p. 24-25	$0	($40,000,000)	($40,000,000)	($40,000,000)

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
GENERAL REVENUE (continued)				
Cost - ITSD computer updates due to MVDL fee changes Chapters 301-306 p. 38	($87,966)	($1,134)	$0	$0
Cost - Motor Vehicle Bureau administrative costs Chapters 301 & 306 p.36	($97,810)	$0	$0	$0
Cost - Drivers License Bureau administrative costs Chapter 302 p. 37	($95,824)	$0	$0	$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	**($445,216,430)**	**($799,758,106)**	**($696,908,923)**	**($544,412,892)**
Estimated Net FTE Change on General Revenue	0 or 3 FTE	0 or 4 FTE	0 or 4 FTE	0 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. 20	$500,000	$900,000	$900,000	$900,000
Revenue Reduction - repeal of the yield tax on timbers §254.075 p. 25	($7,000)	($7,000)	($7,000)	($7,000)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**$493,000**	**$1,193,000**	**$1,493,000**	**$1,493,000**

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. 20	$300,000	$700,000	$700,000	$700,000
ESTIMATED NET EFFECT ON PARKS, SOIL & WATER FUND	**$300,000**	**$1,000,000**	**$1,200,000**	**$1,200,000**

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. 20	$3,600,000	$7,300,000	$7,300,000	$7,300,000
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**$3,600,000**	**$9,800,000**	**$12,300,000**	**$12,300,000**

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. 22-24	$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	$40,000,000	$40,000,000	$40,000,000
ESTIMATED NET EFFECT ON THE MO SENIOR SERVICES PROTECTION FUND	**$0**	**$40,000,000**	**$40,000,000**	**$40,000,000**
STATE HIGHWAY FUND				
Additional Revenue Motor Vehicle & Marine Fees and Penalties Chapters 301 & 306 p. 36	$75,291,422	$153,282,722	$153,282,722	$153,282,722
Additional Revenue Drivers License Fees Chapter 302 p. 38	$3,566,829	$7,133,658	$7,133,658	$7,133,658
ESTIMATED NET EFFECT ON STATE HIGHWAY FUND	**$78,858,251**	**$160,414,380**	**$160,414,380**	**$160,414,380**

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. 38	$101	$202	$202	$202
ESTIMATED NET EFFECT ON THE MOTORCYCLE SAFETY FUND	**$101**	**$202**	**$202**	**$202**
HIGHWAY PATROL WATER PATROL FUND				
Additional Revenue				
Trailer Inspection Fee Chapter 306 p. 38	$1,291,593	$2,583,185	$2,583,185	$2,583,185
ESTIMATED NET EFFECT ON HIGHWAY PATROL WATER PATROL FUND	**$1,291,593**	**$2,583,185**	**$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 managed care organizations provider tax assessment §208.431 - 208.437 p. 22-24	$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
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 Streamline 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 Sales & Use Tax Timely Filing Discount Changed §144.140 p. 20	$23,900,000	$47,700,000	$47,700,000	$47,700,000
Additional Revenue Cities - MV & Marine Fees and Penalties Chapters 301 & 306 p.36	$15,058,284	$30,656,544	$30,656,544	$30,656,544
Additional Revenue Counties - Motor Vehicle & Marine Fees and Penalties Chapters 301 & 306 p. 36	$10,038,856	$20,437,696	$20,437,696	$20,437,696
Additional Revenue Cities - Drivers License Fees Chapters 302 p.38	$713,366	$1,426,732	$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. 38	$475,577	$951,154	$951,154	$951,154
Revenue Reduction Cities and Counties not able to opt out of School Tax Holiday §144.049 p. 19	$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. 21	$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	($3,900,000)	($7,700,000)	($7,700,000)	($7,700,000)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISION FUNDS	$45,886,083	$101,772,126	$110,972,126	$110,972,126

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 (Section 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, 2019, 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, 2019, 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).

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 Insurance, Financial Institutions and Professional Registration
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
Missouri Highway Patrol
Office of Administration
  Division of Budget and Planning
  Division of Accounting
  Division of Facilities Management, Design and Construction
  Division of Purchasing
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

JH:LR:OD

March 14, 2018

JH:LR:OD