COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0971-04
Bill No.: HCS for SCS for SB 174
Subject: Taxation and Revenue - Income; Department of Revenue
Type: Original
Date: May 6, 2019

Bill Summary: This proposal modifies provisions relating to taxation of income.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue*	(Unknown - Could exceed $117,143)	(Unknown) to Could exceed $4,141,591	(Unknown) to Could exceed $4,141,591
Total Estimated Net Effect on General Revenue	**(Unknown - Could exceed $117,143)**	**(Unknown) to Could exceed $4,141,591**	**(Unknown) to Could exceed $4,141,591**

*** Oversight notes the amount of Tax Owed to the State does not change under this proposal (§143.121), this proposal only changes when the Tax is Paid to the State (cash flow).**

*** Oversight assumes a positive unknown to negative unknown for revenue estimates until we are able to estimate revenue or verify the data and models provided. Oversight will also reflect B&P's revenue estimates for the changes to the tax rates.**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 17 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Blind Pension (0621)	$0 to ($200)	$0 to ($200)	$0 to ($200)
School District Trust (0688)	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Conservation Commission (0609)	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Parks, Soil & Water (0613 & 0614)	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Total Estimated Net Effect on Other State Funds	**$0 or (Unknown over $200)**	**$0 or (Unknown over $200)**	**$0 or (Unknown over $200)**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on FTE	**0**	**0**	**0**

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Local Government	**$0 or (Unknown over $35,000)**	**$0 or (Unknown over $35,000)**	**$0 or (Unknown over $35,000)**

FISCAL ANALYSIS

ASSUMPTION

§135.090 Peace Officer Surviving Spouse Tax Credit
Officials at the **Office of Administration Division of Budget and Planning** (**B&P**) assume this section would extend the sunset date for the Surviving Spouse Tax Credit from 2019 to 2027. Since the tax credit has not yet sunset, the sunset extension will not impact Total State Revenue or the calculation under Article X, Section 18(e).

Oversight notes this section extends the sunset date from December 31, 2019, to December 31, 2027, for the Peace Office Surviving Spouse Tax Credit. The tax credit program allows the surviving spouse of a public safety officer killed in the line of duty to claim a refundable tax credit against individual income taxes imposed by Chapter 143, in an amount equal to the property taxes paid on the surviving spouse's homestead. The surviving spouse may claim the credit each year until such time as the surviving spouse remarries. The tax credit is refundable; therefore, if the tax credit amount exceeds the amount of tax due from the surviving spouse, the excess will be refunded to the taxpayer. There is no cap on this program.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Peace Officer Surviving Spouse tax credit program had the following activity;

	FY 2016	FY 2017	FY 2018	FY 2019 (projected)	FY 2020 (projected)
Amount Redeemed	$117,554	$89,502	$66,086	$0	$0

Oversight prepared a sunset report on this program in 2018, which showed the following information:

ASSUMPTION (continued)

YEAR	CLAIMS FILED	CREDITS REDEEMED	AVERAGE CREDIT PER CLAIM
FY 2009	fewer than 7	$9,583	N.A.
FY 2010	12	$22,363	$1,864
FY 2011	11	$16,861	$1,533
FY 2012	14	$32,793	$2,342
FY 2013	34	$61,132	$1,798
FY 2014	37	$76,533	$2,068
FY 2015	22	$70,941	$3,225
FY 2016	34	$117,554	$3,457
FY 2017	33	$89,502	$2,712
FY 2018	NA	$66,086	NA

Source: Department of Revenue

Oversight will show the extension of the sunset as a loss of $84,123 (average of the past five years) annually.

§137.115 Aircraft Property Tax
Officials at the **Office of Administration Division of Budget and Planning** (**B&P**) assume this proposal makes multiple technical corrections to Sections 137.115. This proposal also changes the allowed hours of flying for historical aircraft. This could increase the number of aircraft that are eligible for a reduced property tax rate. Based on information provided by the State Tax Commission, this could decrease revenues to the Blind Pension Trust Fund by $0 to $500. This could also decrease local revenues by $0 to $90,000.

This proposal will decrease Total State Revenue by up to $500 and will impact the calculation under Article X, Section 18(e).

ASSUMPTION (continued)

Officials at the **State Tax Commission** (**STC**) estimates the fiscal impact to local taxing jurisdictions (school districts, cities, counties, fire districts etc) to be a loss of zero to $35,000. The change in 137.115 regarding noncommercial aircraft, twenty five years old, from fifty to one hundred and fifty hours per year could have a fiscal impact on local taxing jurisdictions. The Agency does not have exact data of how many of the 905 (2018) aircraft in Missouri are within the criteria or threshold provided. In 2016 HB 2784 (which did not become law) proposed the number of hours at two hundred and fifty , the agency calculated a fiscal impact to local taxing jurisdictions of up to $90,000.

Oversight will utilize the estimate ($35,000) provided by the State Tax Commission, assuming the $90,000 potential loss of tax revenue estimate was based on a prior year's bill increasing the flight hours to 250 instead of 100 as proposed in this bill. Oversight has adjusted the Blind Pension Fund impact to approximately $200 (levy of $0.03 of an average of approximately $7.00 x $35,000 = $150.)

§143.121 Federal Reserve Bank Interest
Officials at the **Office of Administration Division of Budget and Planning** (**B&P**) assume this proposal would exempt interest received from deposits at a federal reserve bank from individual and corporate income tax. B&P notes that due to the ambiguous language currently in law, some taxpayers may already be claiming this exemption. For the purpose of this fiscal note, B&P assumes that all entities eligible to claim the proposed income exemption are corporate depository institutions (i.e. banks).

In 2017, the St. Louis Federal Reserve paid interest of $3 million total to all depository institutions within its region. There are seven states that make up the St. Louis Federal Reserve region. For the purpose of this fiscal note, B&P assumes that the $3 million in interest payments were paid evenly among all regional states. However, B&P acknowledges that some states may have larger or smaller banks than those in Missouri, resulting in more or less actual interest payments to Missouri banks than estimated here. Therefore, B&P estimates that this proposal could exempt up to $429,000 ($3,000,000 / 7) in interest payments from the corporate income tax.

In 2017, the Kansas City Federal Reserve paid interest of $10 million total to all depository institutions within its region. There are seven states that make up the Kansas City Federal Reserve region. For the purpose of this fiscal note, B&P assumes that the $10 million in interest payments were paid evenly among all regional states. However, B&P acknowledges that some states may have larger or smaller banks than those in Missouri, resulting in more or less actual interest payments to Missouri banks than estimated here. Therefore, B&P estimates that this

ASSUMPTION (continued)

proposal could exempt up to $1,429,000 ($10,000,000 / 7) in interest payments from the corporate income tax.

B&P notes that while the current corporate tax rate is 6.25%, this tax rate is scheduled to decline to 4.0% beginning January 1, 2020. Therefore, B&P will adjust estimates for FY 2021 and beyond to reflect the lower corporate tax rate. B&P estimates that this proposal could reduce Total State Revenue and General Revenue by less than $116,000 (6.25%*($429,000 + $1,429,000)) in FY 2020. Beginning in FY 2021, and annually thereafter, this proposal could reduce Total State Revenue and General Revenue by less than $74,000 (4.0%*($429,000 + $1,429,000)).

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

Officials at the **Department of Revenue** (**DOR**) assume this proposal outlines what is to be subtracted from a taxpayer's federal adjusted gross income. The proposed legislation includes interest received on deposits held at a federal reserve bank as an eligible subtraction.

There are two Federal Reserve Banks located in Missouri, the Federal Reserve Bank of St. Louis, and the Federal Reserve Bank of Kansas City.

The St. Louis Federal Reserve includes the state of Arkansas and portions of Illinois, Indiana, Kentucky, Mississippi, the eastern half of Missouri and West Tennessee. It has branches in Little Rock, Louisville, and Memphis. According to the 2017 Independent Auditor's Report, the St. Louis Federal Reserve Bank paid $3 million dollars in interest to the regional depository institutions.

Seven states make reserve deposits into the St. Louis Federal Reserve Bank. The St. Louis Federal Reserve Bank is paying an estimated total of $428,571 in interest to Missouri depositary institutions ($3,000,000/7). Multiply that amount by Missouri's current corporate tax rate (6.25%) and that would generate roughly $26,786 in annual revenues. If the interest earned on reserves deposits is exempt under chapter 143, Missouri could see a decrease in annual revenues in an amount up to $26,786 in fiscal year 2020. The corporate income tax rate will be reduced to 4% for all tax years beginning on or after January 1, 2020. In fiscal years after FY 2020, if the interest earned on reserves deposits is exempt under chapter 143, Missouri could see a decrease in annual revenues in an amount up to $17,143.

The Federal Reserve Bank of Kansas City includes Colorado, Kansas, Nebraska, Oklahoma, Wyoming and portions of Missouri and New Mexico. According to the 2017 Independent

ASSUMPTION (continued)

Auditor's Report, the Federal Reserve Bank of Kansas City paid $10 million dollars in interest to the regional depository institutions.

Seven states make reserve deposits into the Federal Reserve Bank of Kansas City. The Federal Reserve Bank of Kansas City is paying an estimated total of $1,428,571 in interest to Missouri depositary institutions ($10,000,000/7). Multiply that amount by Missouri's current corporate tax rate (6.25%) and that would generate roughly $89,286 in annual revenues. If the interest earned on reserves deposits is exempt under chapter 143, Missouri could see a decrease in annual revenues in an amount up to $89,286 in fiscal year 2020. The corporate income tax rate will be reduced to 4% for all tax years beginning on or after January 1, 2020. In fiscal years after FY 2020, if the interest earned on reserves deposits is exempt under chapter 143, Missouri could see a decrease in annual revenues in an amount up to $57,142.

This is a high estimate since this is assuming all corporations are currently including interest earned on reserve deposits as income on their corporate return. Line 1a on the MO-1120 Corporate Income Tax Return allows for a subtraction of interest from exempt federal obligations. A schedule, which is prepared by the company, is required. Due to the unregulated and discretionary nature of the schedules, the Department is unable to determine if interest earned on reserve deposits is included within line 1a. The Department assumes that some banks schedule the Federal Reserve deposit interest as exempt from corporate income tax and some report the interest as part of their taxable income.

Impact to General Revenue		
FY20	FY21	FY22
($116,072)	($74,285)	($74,285)

Oversight verified the data supplied by B&P and DOR as to the amount of interest paid. However, Oversight notes there was a large difference in the amount paid in interest each fiscal year partially based on the changing interest rate set by the Federal Reserve Bank. In St. Louis the interest paid in FY 2017 was $3 million but it was only $2 million in FY 2016. In Kansas City the interest paid in FY 2017 was $10 million when it was only $4 million in FY 2016. Due to the Federal Reserve Bank changing interest rates and deposit amounts, there could continue to be a significant difference yearly in interest paid and therefore, Oversight will show a range in the fiscal note.

Oversight was also unable to verify the split of the interest among the various states. Oversight will use the methodology used by B&P and DOR of dividing the interest equally among the

ASSUMPTION (continued)

states. Oversight notes the corporate rate is 6.25% for FY 2020 and decreases to 4% for FY 2021 and beyond. Oversight calculated the interest as follows:

FY 2020
St. Louis $2,000,000/7 x 6.5% = $18,571
St. Louis, $3,000,000/7 x 6.5% = $27,857

FY 2021
St. Louis $2,000,000/7 x 4% = $11,429
St. Louis $3,000,000/7 x 4% = $17,143

FY 2020
Kansas City $4,000,000/7 x 6.25% = $35,714
Kansas City $10,000,000/7 x 6.25% = $89,286

FY 2021
Kansas City $4,000,000/7 x 4% = $22,857
Kansas City $10,000,000/7 x 4% = $57,143

Oversight will show the impact in FY 2020 as $54,285 ($18,571 + $35,714) to $117,143 ($27,857 + $89,286) and will show in FY 2021 and beyond as $34,286 ($11,429 + $22,857) to $74,286 ($17,143 + $57,143).

Section 143.121 – Interest Additions and Subtractions
Officials at the **B&P** note that the federal Tax Cut and Jobs Act (TCJA) placed a cap on the amount of business interest that could be claimed on the federal tax return in any given year. The TCJA allows any unclaimed interest expenses to be carried forward indefinitely until the full amount has been deducted. This limit and carry forward provision began for tax year 2018.

This section would allow Missouri businesses to claim the full amount of business interest in the first year it occurred by allowing businesses to subtract any remaining amount of interest not already included in the Missouri Adjusted Gross Income (MAGI). In future years, businesses would then be required to add back into their MAGI the business interest that was carried forward on their federal return. B&P notes that this would accelerate the amount of business interest claimed into the first tax year available, but would not reduce the total amount of interest claimed over time. Therefore, this proposal will not impact Total State Revenue or the calculation under Article X, Section 18(e).

ASSUMPTION (continued)

B&P estimates that this section may have a significant impact on cash flow from year to year, depending on the amount of interest accelerated through this proposal. B&P is unable to estimate the potential cash flow impact as the required information is only available on federal returns and B&P does not have access to such returns. B&P further notes that because tax year 2018 has ended and this section would not be enacted until after the start of FY 2020, any businesses impacted would have to file an amended tax year 2018 return in FY 2020. Therefore, this may have a larger cash flow impact in FY 2020 than would otherwise be typical in future fiscal years.

Oversight notes this proposal would become effective on August 28, 2019. Since this proposal is for tax years beginning January 1, 2018, Oversight notes that any filer who reported disallowed investment interest expense would need to amend their tax return starting August 29, 2019. Oversight assumes this would cause a loss of revenue in FY 2020 and a gain in FY 2021 and FY 2022. As stated by B&P, this proposal does not change the amount of tax a company would owe just when the tax is required to be paid.

Oversight currently does not have the data or resources available to produce independent revenue projections, therefore Oversight uses the same assumptions for revenue growth as the FY 2020 Consensus Revenue Estimate (CRE) for revenue growth in all future years. The CRE assumes an increase in net general revenue collections of $192.6 million for FY 2020.

Oversight notes pursuant to §143.011 - §143.022 (SBs 509 & 496 2014) if the previous fiscal year's net general revenue collections exceed the highest net general revenue collections of the three previous fiscal years by at least $150 million, then there will be a reduction in the individual income tax rate by one-tenth of a percent and a reduction for individual income tax filers of 5% of "business income." These reductions will reduce net General Revenue collections by an estimated $160.0 million annually. Oversight notes the proposed legislation may impact future net revenue collections and could impact future triggering of the rate reductions required under §143.011 - §143.022.

§143.441 Air Freight Forwarders
Officials at the **B&P** assume this section adds freight forwarders to the definition of corporations. B&P defers to DOR for an estimated impact on Total State Revenue and General Revenue.

Officials at the **DOR** assume the impact is Unknown and state they are unable to estimate a fiscal impact on this section due to the small number of transporters involved and requirement for taxpayer privacy.

ASSUMPTION (continued)

Without additional information, **Oversight** will show an Unknown impact to the General Revenue Fund for this section starting in FY 2020.

§144.020 Telecommunication Billing
Officials at the **DOR** assume that currently, Section 144.020 imposes a tax in an amount equal to four percent on the basic rate paid or charged on all sales of local and long distance telecommunications service to telecommunications subscribers and to others through equipment of telecommunications subscribers for the transmission of messages and conversations and upon the sale, rental or leasing of all equipment or services pertaining or incidental thereto; except that, the payment made by telecommunications subscribers or others, pursuant to section 144.060, and any amounts paid for access to the internet or interactive computer services shall not be considered as amounts paid for telecommunications services.

The proposed legislation adds to Section 144.020 the following language, "If local and long distance telecommunications services subject to tax under this subdivision are aggregated with and not separately stated from charges for telecommunications service or other services not subject to tax under this subdivision, including, but not limited to, interstate or international telecommunications services, then the charges for nontaxable services may be subject to taxation unless the telecommunications provider can identify by reasonable and verifiable standards such portion of the charges not subject to such tax from its books and records that are kept in the regular course of business for other purposes, including, but not limited to, financial statement, general ledgers, invoice and billing systems and reports, and reports for regulatory tariffs and other regulatory matters."

While the statutory change in Section 144.020 is new, without audits the Department is unable to determine, based on the data we have, what, if any, impact the statutory change may have. The impact will be $0 - (Unknown).

Currently, some telecommunications companies bundle their taxable and nontaxable services together and therefore, collects tax on the total cost of bundled services even if some of the services may have been nontaxable. This proposal establishes a way for a telecommunications companies to separate the taxable and nontaxable services and to only collect taxes on the taxable services. **Oversight** is unable to determine how many companies are currently collecting and may continue to collect taxes on bundled services; as well as how many will choose to separate their services and reduce the tax they collect. Oversight will show the impact as $0 to Unknown loss to the state sales tax funds.

ASSUMPTION (continued)

§148.064 Bank Franchise Tax
Officials at the **DOR** assume this proposal places an end date on the credit authorized in §148.064.6 for all tax years beginning on or after January 1, 2020.

The Bank Franchise Tax (BFT) credit in §148.064.6 gives financial institutions a credit to reflect the previous reduction in the franchise tax rate. For tax years beginning on or after January 1, 2016, no annual franchise tax is imposed under §147.010. Section 148.064.7 creates a new credit once the franchise tax is repealed, but the current statute does not expressly repeal the credit authorized in §148.064.6. This creates a double credit which is not necessary and reduces state revenue.

The Department took the average amount of credits redeemed in the last three fiscal years to come up with the fiscal impact. The chart below reflects the total dollar amount of the bank franchise tax credits that have been issued in each fiscal year since the repeal of the corporate franchise tax.

	FY 2016	FY 2017	FY 2018	Average
BFT credit redeemed	$3,098,901	$2,701,672	$4,372,771	$3,391,115

Impact to Total State Revenue		
FY 2020	FY 2021	FY 2022
$0	$3,391,115	$3,391,115

Oversight confirmed with DOR that the BFT credits redeemed listed above are only the portion claimed under §148.064.6.

Officials at the **B&P** assume this proposal would disallow the bank franchise tax credit under §148.064.6 beginning with tax year 2020. B&P notes that this proposal does not change the alternative bank tax credit allowed under Section 148.064.7.

B&P further notes that the bank franchise tax was fully phased-out by tax year 2016. However, the language in Section 148.064.6 does not rely on the calculation utilized to determine a franchise tax liability, which would have made any credit equal to zero once the franchise tax rate became zero. Rather, it is a simple asset calculation, which allows banks to claim a positive credit even without a franchise tax being levied.

ASSUMPTION (continued)

The following table shows the bank franchise tax credit redemptions for the previous three fiscal years.

Fiscal Year	Redemptions under Section 148.064.6
2016	$3,227,364
2017	$2,756,090
2018	$4,347,236
3-year average	$3,443,563

Therefore, B&P estimates that this proposal will increase Total State Revenue and General Revenue by $3.4 million annually, beginning in FY 2021.

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

In response to the previous version, officials at the **Department of Insurance, Financial Institutions and Professional Registration** assumed there was no fiscal impact from this proposal.

Oversight notes the changes in this proposal would be effective beginning January 1, 2020, and the first income tax returns would be filed reflecting these changes in January, 2021 (FY 2021). For fiscal note purposes, Oversight includes the revenue reductions in the year in which the affected tax returns would be filed; therefore, the first year this proposal would have an impact would be FY 2021.

Based on data provided on DOR's website, **Oversight** was able to confirm the bank franchise redemption data presented by B&P. Due to the significant difference in redemption data from year to year, Oversight assumes an increase of $2.7 million to $4.3 million to General Revenue annually from the elimination of the bank franchise tax credit.

Bill as a Whole
Officials at the **Department of Economic Development** assume there is no fiscal impact from this proposal.

Oversight notes that it **does not currently have the resources and/or access to state tax data** to produce an independent revenue estimate and is unable to verify the revenue estimates provided by B&P and DOR.

FISCAL IMPACT - State Government	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE			
Revenue Reduction - DOR §135.090 extension of the sunset date on surviving spouse tax credit from 2019 to 2027 p. 5	$0	($84,123)	($84,123)
Revenue Reduction - DOR - §143.121 - subtraction of interest on deposits held at the Federal Reserve from Adjusted Gross Income p. 9	($54,285 to $117,143)	($34,286 to $74,286)	($34,286 to $74,286)
Revenue - DOR §143.121 change in when interest income is paid* p. 10	(Unknown)	Unknown	Unknown
Revenue Reduction - DOR §144.020 reduction in sales tax collected if telecommunication companies are allowed to separate services p. 11	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Revenue Reduction - DOR §143.441 air freight forwarders tax change p. 10 & 11	(Unknown)	(Unknown)	(Unknown)
Additional Revenue - DOR - §148.064.6 elimination of the bank franchise tax credit p. 13	$0	$2,700,000 to $4,300,000	$2,700,000 to $4,300,000
ESTIMATED NET EFFECT ON GENERAL REVENUE	**(Unknown - Could exceed $117,143)**	**(Unknown) to Could exceed $4,141,591**	**(Unknown) to Could exceed $4,141,591**

* Oversight notes the amount of Tax Owed to the State does not change under this proposal, this proposal only changes when the Tax is Paid to the State (cash flow).

*** Oversight assumes a positive unknown to negative unknown for revenue estimates until we are able to estimate revenue or verify the data and models provided. Oversight will also reflect B&P's revenue estimates for the changes to the tax rates.**

FISCAL IMPACT - State Government	FY 2020 (10 Mo.)	FY 2021	FY 2022
BLIND PENSION FUND			
Revenue Reduction - §137.115 loss of property tax revenue from expansion of hours for taxation of aircraft p. 6	$0 to ($200)	$0 to ($200)	$0 to ($200)
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	**$0 to ($200)**	**$0 to ($200)**	**$0 to ($200)**
SCHOOL DISTRICT TRUST FUND			
Revenue Reduction - DOR §144.020 reduction in sales tax collected if telecommunication companies are allowed to separate services p. 11	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
ESTIMATED NET EFFECT ON THE SCHOOL DISTRICT TRUST FUND	**$0 or (Unknown)**	**$0 or (Unknown)**	**$0 or (Unknown)**
CONSERVATION COMMISSION FUND			
Revenue Reduction - DOR §144.020 reduction in sales tax collected if telecommunication companies are allowed to separate services p. 11	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
ESTIMATED NET EFFECT ON THE CONSERVATION COMMISSION FUND	**$0 or (Unknown)**	**$0 or (Unknown)**	**$0 or (Unknown)**

FISCAL IMPACT - State Government	FY 2020 (10 Mo.)	FY 2021	FY 2022
PARKS, SOIL & WATER FUND			
Revenue Reduction - DOR §144.020 reduction in sales tax collected if telecommunication companies are allowed to separate services p. 11	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
ESTIMATED NET EFFECT ON THE PARKS, SOIL & WATER FUND	**$0 or (Unknown)**	**$0 or (Unknown)**	**$0 or (Unknown)**

FISCAL IMPACT - Local Government	FY 2020 (10 Mo.)	FY 2021	FY 2022
LOCAL POLITICAL SUBDIVISION FUNDS			
Revenue Reduction - §137.115 Locals loss of property tax from expansion of hours for taxation of aircraft p. 6	$0 to ($35,000)	$0 to ($35,000)	$0 to ($35,000)
Revenue Reduction - Locals §144.020 reduction in sales tax collected if telecommunication companies are allowed to separate services p. 11	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISION FUNDS	**$0 or (Unknown over $35,000)**	**$0 or (Unknown over $35,000)**	**$0 or (Unknown over $35,000)**

FISCAL IMPACT - Small Business

This may impact small banks, if they are not already claiming the exemption granted in this proposal.

FISCAL DESCRIPTION

This proposal extends the sunset date on the Peace Officer Surviving Spouse Tax Credit.

This bill increases the number of hours of operation per year a noncommercial aircraft at least 25 years old can fly from less than 50 hours to less than 100 hours to be assessed and valued at 5% of the aircraft's true value in money for property tax purposes.

This act exempts interest received on deposits held at a federal reserve bank from Missouri adjusted gross income. (§143.121)

Current law provides for a tax credit for banking institutions to compensate for franchise taxes paid by banking institutions, as well as a tax credit that may be claimed in the event the corporate franchise tax is repealed by the General Assembly. Because the corporate franchise tax was repealed beginning January 1, 2016, for all tax years beginning on or after January 1, 2020, this act disallows the tax credit designed to compensate for the franchise tax. (§148.064)

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

SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue
Office of Administration
  Division of Budget and Planning
State Tax Commission

Kyle Rieman
Director
May 6, 2019

Ross Strope
Assistant Director
May 6, 2019

JH:LR:OD