

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4416S.09A
 Bill No.: SS for HCS for HB 2587, as amended
 Subject: Administrative Rules; Economic Development; Economic Development; Boards, Commissions, Committees and Councils; Corporations; Taxation and Revenue
 Type: Original
 Date: May 12, 2022

Bill Summary: This proposal modifies provisions relating to business entities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2026)
General Revenue Fund*	(\$10,075,436) to could exceed (\$14,722,671)	(\$26,460,240) to could exceed (\$54,282,835)	(\$41,564,037) to could exceed (\$69,387,245)	(\$47,095,514) to could exceed (\$74,920,186)
Total Estimated Net Effect on General Revenue	(\$10,075,436) to could exceed (\$14,722,671)	(\$26,460,240) to could exceed (\$54,282,835)	(\$41,564,037) to could exceed (\$69,387,245)	(\$47,095,514) to could exceed (\$74,920,186)

*Oversight notes the majority of the reduction in the general revenue stemming from Section 143.022 representing reduction in income tax owed by new businesses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2026)
School District Trust Fund (0688)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Park and Soil State Sales Fund (0613 & 0614)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Conservation Commission Fund(0609)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Missouri Disaster Fund (0663)*	\$0	\$0	\$0	\$0
Legal Expense Fund**	\$0	\$0	\$0	\$0
Other Various State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on <u>Other State Funds</u>	(Unknown)	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.

*/** Legal Expense Fund & Missouri Disaster Fund both nets to zero.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2026)
Various Federal Funds	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on <u>All Federal Funds</u>	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2026)
General Revenue Fund	4 FTE	4 FTE	4 FTE	4 FTE
Total Estimated Net Effect on FTE	4 FTE	4 FTE	4 FTE	4 FTE

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2026)
Local Government	\$0 or up to \$1,834,605	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Section 34.195 – Report regarding State Contracts

Officials from the **Department of Revenue (DOR)** note this section requires that the Office of Administration file an annual report with the General Assembly on the number of contracts issued to companies in business for less than 3 years. This section is not expected to have a fiscal impact the Department.

Officials from the **Office of Administration - Budget and Planning** assume this section of the proposal will have no fiscal impact on their respective organization.

Oversight notes the **Office of Administration (OA)** has not responded to our request for fiscal impact regarding this HCS version when this fiscal note needed to be completed. Oversight assumes OA could implement the provisions in this section without additional resources. Therefore, **Oversight** will reflect a zero impact in the fiscal note for above organizations.

Sections 64.008, 65.710, 89.500 – Zoning Regulations on Home-Based Work by Political Subdivisions

In response to similar legislation from this year, SCS for SB 809, officials from the **Office of Administration - Administrative Hearing Commission** assumed the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this entity.

In response to similar legislation from this year, SCS for SB 809, officials from the **Office of the Governor, Attorney General's Office, the Missouri House of Representatives, the University of Central Missouri, the City of O'Fallon, and the City of Claycomo** each assumed the proposal will have no fiscal impact on their organizations. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact in the fiscal note for above organizations.

Oversight notes these sections prohibit counties, municipalities and townships from enacting a zoning ordinance or regulation of home-based work. Oversight assumes no fiscal impact on these sections of the proposal.

Section 130.029 LLC Political Contributions

In response to the similar proposal, SS for SCS for SB 931 (2022), officials from **Office of Administration - Budget and Planning (B&P)** note this section would allow limited liability companies (LLCs) to make political contributions. Section 130.029.4(2) requires LLCs be operational for at least one year prior any contributions and to file a form with the Missouri Ethics Commission.

B&P notes that the proposal removes all references to S-Corporations and the definition of "corporation" under Section 130.029.4(3).

This provision will not impact TSR or the calculation under Article X, Section 18(e).

In response to the similar proposal, SS for SCS for SB 931 (2022), officials from the **Department of Revenue (DOR)** note this provision allows a limited liability company that is

not classified as a corporation, to make contributions to any candidate committee. This will not have a fiscal impact on the Department.

Oversight notes officials from the Department of Revenue and the Office of Administration - Budget and Planning both assume this provision will have no fiscal impact on state and local funds. **Oversight** does not have any information to the contrary.

Sections 143.022 and 143.071 – New Business Income Tax

In response to the similar proposal, HCS for HB 1590 (2022), officials from the **Department of Revenue (DOR)** and the **Office of Administration - Budget and Planning (B&P)** note this section would tax pass-through business income in a separate manner from other individual income for new businesses created after January 1, 2023. B&P notes that this would apply to S-corporations, Sole Proprietorships, Partnerships, and Limited Liability Companies (LLCs).

Subsection 143.022.8 exempts a certain portion of income based on years of operation, beginning with tax year 2023. Table 1 shows the income exempted for businesses started in tax year 2023.

Table 1: Exempted Income

Year of Operation	Income Limit	% Exempt	\$ Exempt
1	\$100,000	20.0%	\$20,000
2	\$100,000	20.0%	\$20,000
3	\$100,000	20.0%	\$20,000

Section 143.071 would tax create a new corporate business income tax structure for corporations created after January 1, 2023. B&P notes that this would apply to C-corporations.

Subsection 143.071.4 creates tax brackets and tax rates for qualifying businesses. Table 2 shows the income brackets and tax rates by tax year.

Table 2: Income Thresholds for Taxation for Corporations

Years of Operation	Lower Income	Tax Rate	Higher Income	Tax Rate
1	\$100,000	3.0%	\$100,001	4.0%
2	\$100,000	3.0%	\$100,001	4.0%
3	\$100,000	3.0%	\$100,001	4.0%
4	all income			4.0%

Background Data

Based on the 2017 Annual Business Survey (the most complete year available) published by the U.S. Census Bureau there were 18,032 firms in business for less than two years in Missouri, 15,104 firms in business for 2 to 3 years, and 10,637 firms in business for four to five years. Table 3 shows the number of firms by length of operations.

Table 3: Business in Missouri

Years of Operation	Number of firms	Average Annual Revenue
< 2	18,032	\$520,550
2 to 3	15,104	\$639,351
4 to 5	10,637	\$1,013,027
6 to 10	16,808	\$1,341,666
11 to 15	16,568	\$1,864,366
> 15	39,007	\$15,337,429

Based on information published by the National Small Business Association, approximately 35% of small businesses are LLCs, 33% are S-Corporations, 19% are C-Corporations, 12% are Sole Proprietorships, and 2% are Partnerships. Table 4 shows the estimated number of firms for each formation type.

Table 4: Estimated Businesses by Formation

Years of Operation	Number of firms	LLC (35%)	S-Corp (33%)	C-Corp (19%)	Sole Proprietor (12%)	Partnerships (2%)
< 2	18,032	6,275	5,914	3,390	2,128	325
2 to 3	15,104	5,256	4,954	2,840	1,782	272
4 to 5	10,637	3,702	3,489	2,000	1,255	191
6 to 10	16,808	5,849	5,513	3,160	1,983	303
11 to 15	16,568	5,766	5,434	3,115	1,955	298
> 15	39,007	13,574	12,794	7,333	4,603	702
Total	116,156	40,422	38,098	21,838	13,706	2,091

Corporate Income Tax

B&P and DOR note that as of January 1, 2020 the corporate tax rate under Section 143.071, RSMo, is 4.0%. Using the information above, B&P estimates that this provision will reduce an individual firm's income tax by \$1,000 per year in the first three years of operation. Table 5 shows the estimated impact per firm.

Table 5: Corporate Income Tax Impacts

Year of Operation	Number of Businesses	Current Estimated Taxes	Proposed Estimated Taxes	Difference in Taxes Owed
1	3,390	\$20,822	\$19,822	(\$1,000)
2	2,840	\$25,574	\$24,574	(\$1,000)
3	2,840	\$25,574	\$24,574	(\$1,000)
4	2,000	\$40,521	\$40,521	\$0

To account for the number of business closures within the first three years of operation, B&P utilized the number of firms operating less than 2 years and those between 2 and 3 years. B&P estimates that in total, this provision could reduce corporate income taxes by \$9,070,000 annually by tax year 2025. Table 6 shows the estimated impact by tax year.

Table 6: Corporate Income Tax Loss by Tax Year

Tax Year	GR Loss
2023	(\$3,390,000)
2024	(\$6,230,000)
2025	(\$9,070,000)
2026	(\$9,070,000)
2027	(\$9,070,000)
2028	(\$9,070,000)

However, because this proposal would begin at the beginning of a firm's tax year, the corporations will adjust their declarations payments during the first fiscal year. Based on historical revenue receipts, B&P estimates that 50% of corporate income taxes are remitted during FY1 and 50% are remitted during FY2. Therefore, B&P estimates that this provision may reduce TSR and GR by \$1,695,000 in FY23. Once fully implemented in FY26, this provision could reduce TSR and GR by \$9,070,000 annually. Table 7 shows the estimated impact by fiscal year.

Table 7: Corporate
Income Tax Loss by
Fiscal Year

Fiscal Year	GR Loss
2023	(\$1,695,000)
2024	(\$4,810,000)
2025	(\$7,650,000)
2026	(\$9,070,000)
2027	(\$9,070,000)
2028	(\$9,070,000)
2029	(\$9,070,000)

Individual Income Tax

B&P and DOR note that LLCs, S-Corporations, Sole Proprietorships, and Partnerships are all “pass-through” entities. Owners of such firms report business income on their individual income tax form and not on a corporate income tax form. B&P further notes that the individual income tax rate is currently 5.3%, with five additional 0.1% reductions scheduled to occur pending growth in net GR.

In addition, Section 143.022, RSMo, grants pass-through businesses and income exemption on a portion of their business income. B&P notes that currently 15% of pass-through business income is exempt from taxation, with one more 5% increases scheduled to occur pending net GR growth. B&P further notes that under this proposal, newly created pass-through businesses would still be allowed to use this income exemption.

Based on current revenue forecasts and average revenue growth, B&P estimates the rate reduction and pass-through business exemptions will occur in the following years:

Table 8: Estimated Individual Income Tax Reductions

Tax Year	Top Rate	Pass-Through Exemption	Enacting Bill
2017	6.0%	0%	
2018	5.9%	5%	SB 509 (2014)
2019	5.4%	10%	SB 509 (2014) & HB 2540 (2018)
2020	5.4%	10%	
2021	5.4%	10%	
2022	5.3%	15%	SB 509 (2014)
2023	5.3%	15%	
2024	5.2%	20%	SB 509 (2014) and SB 153 (2021)
2025	5.1%	20%	SB 509 (2014)
2026	5.0%	20%	SB 509 (2014)
2027	4.9%	20%	SB 153 (2021)
2028	4.8%	20%	SB 153 (2021)

Accounting for changes scheduled to occur; B&P estimates that this provision may reduce per firm taxes owed by \$1,020 to \$1,060 per year for businesses started in tax year 2023. B&P notes that businesses started in future years would face a different income tax structure due to the rate reduction and income exemption increase scheduled to occur under SB 509 (2014) and SB 153 (2021). Table 9 shows the estimated impact for firms established in tax year 2023.

Table 9: Pass-Through Income Tax Impacts for Businesses Started in Tax Year 2023*

Year of Operation	Number of Businesses	Current Estimate Taxes**	Proposed Estimate Taxes**	Difference in Taxes Owed
1	14,642	\$23,451	\$22,391	(\$1,060)
2	12,264	\$26,597	\$25,557	(\$1,040)
3	12,264	\$26,086	\$25,066	(\$1,020)
4	8,637	\$40,521	\$40,521	\$0

*This is only the tax structure for businesses started in 2023.

**The estimates for current and proposed taxes accounts for the top rate reductions and business income exemptions under SB 509 (2014) and SB 153 (2021).

To account for the number of business closures within the first three years of operation, B&P utilized the number of firms operating less than 2 years and those between 2 and 3 years. B&P

estimates that in total, this provision may reduce individual income taxes by \$37,603,200 annually by tax year 2028. Table 10 shows the estimated impact by tax year.

Table 10: Individual
 Income Loss by Tax
 Year

Tax Year	GR Loss
2023	(\$15,520,520)
2024	(\$27,982,240)
2025	(\$39,953,400)
2026	(\$39,170,000)
2027	(\$38,386,600)
2028	(\$37,603,200)

However, because this proposal would begin at the beginning of a firm’s tax year, individuals will adjust their withholdings and declarations during the first fiscal year. Based on historic revenue patterns, 42% of individual income taxes are remitted during FY1 and 58% are remitted during in FY2. Therefore, B&P estimates that this provision could reduce TSR and GR by \$6,518,618 in FY23. Once fully implemented in FY29, this provision may reduce TSR and GR by \$37,603,200 annually. Table 11 shows the estimated impact by fiscal year.

Table 11: Individual
 Income Loss by Fiscal
 Year

Fiscal Year	GR Loss
2023	(\$6,518,618)
2024	(\$20,754,442)
2025	(\$33,010,127)
2026	(\$39,624,372)
2027	(\$38,840,972)
2028	(\$38,057,572)
2029	(\$37,603,200)

Summary

B&P and DOR estimate that this proposal could reduce TSR and GR by \$8,213,618 in FY23. Once fully implemented, in FY29 this provision may reduce TSR and GR by \$46,673,200 annually. Table 12 shows the estimated impact by fiscal year.

Table 12: Summary of
GR Impact

Fiscal Year	GR Loss
2023	(\$8,213,618)
2024	(\$25,564,442)
2025	(\$40,660,127)
2026	(\$48,694,372)
2027	(\$47,910,972)
2028	(\$47,127,572)
2029	(\$46,673,200)

DOR Administrative Impact

DOR notes this proposal would require an entire separate regime to impose a separate rate of taxes. This would involve programming changes and possible new FTEs. This proposal requires the Department have the burden of ensuring compliance to determine which year of operation the business is in. There currently are not any solid resources to confirm that determination. New forms, programming and staff would be needed. At this time the exact fiscal impact is unknown.

The Department anticipates that this proposed section would require a totally new program that would require the Department to contract with a provider. The Department believes the fiscal impact for this could be greater than \$1 million. The Department will continue to research and update when needed.

DOR assumes it will need at least 3 additional Auditors to start. Depending on the number of audits required to ensure compliance, the number of auditors could increase in future years. Additionally DOR will need the following FTE if the amount of correspondence justifies the FTE.

- 1 FTE Revenue Processing Technician for every 14,700 errors created
- 1 FTE Revenue Processing Technician for every 5,700 pieces of correspondence generated

For the purposes of this fiscal note, **Oversight** will report the three (3) FTE Auditors and (2) FTE technicians required by the Missouri Department of Revenue. In addition, Oversight will show the cost of new computer program modifications as estimated by DOR. Oversight notes DOR based the estimate on other major upgrades DOR has done to the income tax system and will continue to research and update when needed.

For purposes of this fiscal note, **Oversight** will report the impact to GR as a result of both the corporate and individual income tax changes as reported by B&P and DOR, summarized in the table below:

Fiscal Year	GR Loss Individual Income Tax	GR Loss Corporate Income Tax	Total GR Loss
2023	(\$6,518,618)	(\$1,695,000)	(\$8,213,618)
2024	(\$20,754,442)	(\$4,810,000)	(\$25,564,442)
2025	(\$33,010,127)	(\$7,650,000)	(\$40,660,127)
2026	(\$39,624,372)	(\$9,070,000)	(\$48,694,372)
2027	(\$38,840,972)	(\$9,070,000)	(\$47,910,972)
2028	(\$38,057,572)	(\$9,070,000)	(\$47,127,572)
2029	(\$37,603,200)	(\$9,070,000)	(\$46,673,200)

Section 143.081 Tax Credit for S-Corporation

In response to the similar proposal, SS for SCS for SB 931 (2022), officials from **Office of Administration - Budget and Planning (B&P)** note this provision would grant a tax credit for S-Corporation shareholders for income earned outside of Missouri, if the income earned out of state is not subject to income taxes in the state in which it was earned. The tax credit shall be equal to the shareholders proportion of Missouri income tax owed on such out of state S-Corporation income. This credit would begin on August 28, 2022. Since this is before the end of the 2022 tax year, B&P assumes that the credit would be available for taxpayers filing their annual 2022 tax returns.

B&P notes that shareholders are already allowed a resident income tax credit if income earned out of state is subject to another state’s income tax. B&P further notes that this would essentially eliminate the Missouri tax on all out of state income earned by any S-Corporation, if that income is not subject to any other state’s income tax.

Based on information provided by DOR, for tax year 2018 fewer than 1% of S-Corporations claimed out-of-state income. However, B&P was unable to determine how much of such S-Corporations income was derived from out-state-sources and how much of that income came from other states that do not levy an income tax. Therefore, B&P estimates that this provision will have an unknown negative impact on TSR and GR beginning in FY23.

In response to the similar proposal, SS for SCS for SB 931 (2022), officials from the **Department of Revenue (DOR)** note this provision would allow a resident shareholder in an S-Corp to be eligible for a credit issued pursuant to this section in an amount equal to the shareholder's pro rata share of any income tax imposed pursuant to Chapter 143 on income derived from sources in another state of the United States, or a political subdivision thereof, or the District of Columbia, and which is subject to tax pursuant to Chapter 143 but is not subject to tax in such other jurisdiction.

S-Corps are required to file a MO-1120S (S-Corporation Income Tax Return) with the Department of Revenue annually. One of the questions on the form requires S-Corps to disclose if any of the income they receive is from sources other than those located in Missouri. Of the 87,907 S-Corps that completed the 2018 MO-1120S form less than 1% indicated income outside Missouri.

The Department is unable to estimate the amount of the income that was reported as out of the state. Additionally, the Department cannot determine if any of that income is from jurisdictions that do not tax. The Department assumes an unknown impact that could exceed \$250,000 annually.

No administrative fiscal impact is expected to the Department from this provision.

Oversight is unable to estimate the amount of out of state income reported. Therefore, **Oversight** will show a negative unknown impact that could exceed \$250,000 annually for this section.

Section 143.436 "SALT Parity Act"

Officials from **Office of Administration - Budget and Planning (B&P)** note this provision would allow pass-through businesses (LLCs, partnerships, sole proprietorships, and S-corporations) to file their Missouri income tax at the entity level, rather than the individual level starting with tax year 2023. B&P notes that the election to complete an entity level tax return shall be made on a voluntary year-by-year basis.

B&P notes that the purpose of this bill is to allow businesses to fully deduct their state and local taxes (SALT) at the federal level, while minimizing the impact to states that pass this or similar language. Under the Tax Cut and Jobs Act (TCJA, 2017) individuals cannot claim a SALT deduction greater than \$10,000, while businesses can claim their full SALT expenses. This has created a significant federal tax increase for pass-through businesses whose SALT deduction is greater than the \$10,000 cap x the number of pass-through members. For example:

- Business A consists of 4 members and has a total SALT liability of \$20,000
 - Business A would not be impacted by the individual SALT limitation as the combined SALT limit for the 4 members would be \$40,000 (4 members x \$10,000 per member cap).
 - Business A would likely not choose to file taxes at the entity level under this provision.
- Business B consists of 4 members and has a total SALT liability of \$80,000
 - Business B would be impacted by the individual SALT limitations as the combined SALT limit of \$40,000 (4 members x \$10,000 per member cap) is less than the \$80,000 entity SALT liability.
 - Business B would likely chose to file taxes at the entity level under this provision.

B&P further notes that as of the creation of this fiscal note, the IRS is allowing this particular SALT cap work around. If the IRS disallows this work around, B&P assumes that entities would no longer choose to file a Missouri return at the entity level.

Currently each member of a pass-through business must file their own Missouri income tax return showing their portion of business income and deductions. The individual is then responsible for their portion of the Missouri income tax. Individuals are also granted a tax credit for taxes paid in other states, for businesses that operate in multiple states.

Under this provision, the entity itself could elect to file a Missouri income tax return. The business is to include the same income, deductions, and credits granted at the federal level. If the calculations result in a net loss, the loss is not refundable, but the business may carry the loss forward until fully used. B&P notes that individuals are not granted a similar net operating loss credit. Therefore, this provision may have an unknown impact on TSR and GR.

B&P notes that businesses would be required to use the corporate income allocation method, as opposed to the current individual allocation method, when determining the amount of income to allocate to Missouri and other states. Therefore, this provision may have an unknown positive or negative impact to TSR and GR depending on the composition of a business's income.

In exchange for filing at the entity level, the entity must calculate their tax due using the highest individual income tax under Section 143.011 in a given tax year. Currently individuals calculate their tax due using the graduated brackets and rates under Section 143.011. This may have minimal impact to TSR and GR.

This provision would allow non-Missouri residents, with no other Missouri source income other than the income now reflected at the entity level, to not file a Missouri income tax return.

This provision would further grant Missouri residents, and non-residents with other Missouri source income, a 95% tax credit for their pro-rata share of the taxes paid to other states at the entity level. B&P notes that this provision would allow a 100% credit for S-corporations. This credit would only be granted for the taxes paid at the entity level to other states. This may have an unknown impact to TSR and GR. B&P notes that the impact would depend on the impacts created by changing how business income is allocated between states. The credit is non-refundable, but may be carried forward until fully used.

B&P does not know how many businesses would elect to pay Missouri taxes at the entity level. Further, B&P does not know the income composition of such businesses or the current tax liability of members and thus cannot estimate how this provision may impact their Missouri tax liability. Therefore, B&P estimates that this provision may have an unknown positive or negative impact on TSR and GR beginning with FY24.

Officials from the **Department of Revenue (DOR)** note under the Tax Cut and Jobs Act (2017) the federal government limited the amount of state and local taxes (SALT) an individual could

deduct for federal income tax purposes to no more than \$10,000 (\$5,000 for those married filed separately) annually. However, there were no changes to the limitations on the amount of a deduction connected with a business entity directly.

Capping the amount of the SALT deduction at the federal level resulted in fewer taxpayers being able to reduce their federal tax liability.

Under current law a pass-through entity's (S Corporations or Partnership) shareholders pay income tax on the shareholder's pro rata share of the entity's income attributable to Missouri. They file their share on their individual income tax return rather than the business entity filing a corporate income tax return. Therefore, each member reports their proportion of the entity's whole income. Therefore, each of the individual members is subject to the \$10,000 SALT limit on their return.

This provision creates the SALT Parity Act. The purpose of the act is to help companies increase the amount of itemized deductions they can claim at the federal level by finding a work-around of the \$10,000 SALT deduction. Increasing their itemized amount would result in a savings to taxpayers, as their federal tax liability would decrease.

A business entity is not bound by the \$10,000 limit. So a plan was created in several states and appears to be allowed by the federal government that would allow the business entity to report the group's income and pay the taxes of the group as a whole. The business entity then receives the greater itemized deduction on their federal return and lowers their overall tax liability. This results in a savings to the business entities.

This provision is setting up this work around at the state level for Missouri businesses. This provision in Section 143.436.3 & 143.436.4 would allow partnerships and S Corporations to pay as a whole. The partnership or S Corp would report income for the whole business and file a return on behalf of the entire group. For tax years beginning on or after January 1, 2023, this act would allow the pass-through business entity to elect to pay a company tax. The tax is to equal the sum of each member's income and loss items, as described in federal law, reduced by a deduction allowed for qualified business income, as described in federal law, and modified by current provisions of state law relating to the taxation of pass-through entities, with such sum multiplied by the highest rate of tax in effect for the state personal income tax rate.

Per this provision they would be required to use the highest individual income tax rate for the tax rate. That rate is currently 5.3% for TY 2022. Currently, if members of the business entity pay taxes, the amount paid depends on their income and which tax bracket they are assessed at. Having these business entities pay the state the highest individual income tax rate could potentially result in an increase in revenue to the state as opposed to each member filing separately.

Upon filing the business entity tax return, the business entity notifies the Department of its election to file as a group and provides a report to the Department of the proportional share of

income earned and tax paid of each member. The individual members of the business entity are then required to file an individual income tax return. They must report the amount of the pro rata share that was paid by the business entity. They are then allowed a credit against the tax already paid by the business entity.

The credit is equal to their pro rata share of the tax paid. This provision states these credits are not refundable but can be carried over until fully taken. The lack of refundability of the credits could result in some members not being able to use their credits. If credits are never redeemed this results in revenue to the state.

This provision is Section 143.436.11 requires these business entities to annually elect whether or not to participate in this business entity tax program. This program is strictly voluntary. Due to the voluntary nature of this program, the Department is not able to determine how many potential S Corps or partnerships would chose to participate each year.

The Department assumes that business entities would chose to participate based on what is best for the majority of its members. While a business entity may choose what is best for the majority of its members, some members may not see a benefit under this program. Individual income tax returns are specific to each taxpayer's life situation. Two people with the same job and same income may have very different life situations that can impact the amount of tax liability they will have. One may be married with kids while the other may be single with no kids but an illness that requires extensive medical payments. Their final tax liability may be different.

Is it possible that due to an individual's life situation they end up owing less in taxes to the State than they otherwise would have if their business reported under current law? It is possible. It is also possible they could owe more. Depending on which happened, additional or less revenue to the state is possible.

The Department notes it is unable to estimate the actual fiscal impact of this provision. The Department cannot predict the number of business entities that would chose to participate in this voluntary program. Nor is the department able to predict how many of the individual taxpaying business entity members would benefit or be hurt by this provision. The Department notes that business entity members would benefit from the increased federal deduction and receive a savings on their federal return. However, based on the taxes paid by the business entity as a whole and the credits provided the members this provision would not result in more than a minimal impact to the state.

The Department notes this provision would ease an administrative burden on the Department. Under current law, in order to audit the Department spends a lot of time trying to identify all the members of a business entity to ensure all the tax is paid. With the business entities filing the taxes and reporting the number of partners and pro rata share of the income, this would allow the Department to more easily audit these businesses, saving time and resources. This provision with the previous partnership audit reporting laws that passed in 2020 will ease some of the time

consuming tracking of these business entities. The amount of the impact can't be determined due to the voluntary nature of the program.

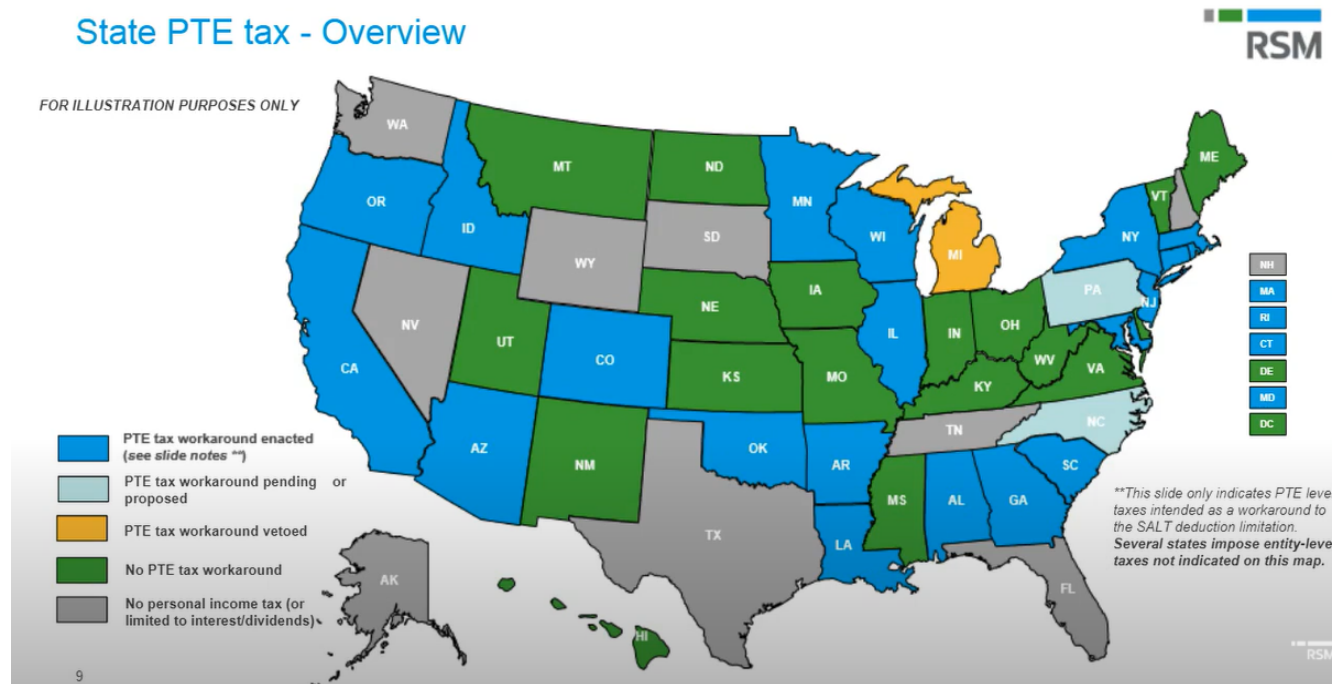
The Department notes this will require making changes to the existing tax reporting forms and potentially the creation of a new form for identifying the business entity members and their pro rata share. These changes are estimated to cost \$5,000. Additional programming and other website updates would result in \$3,596 in costs.

Oversight assumes the Department of Revenue is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the form and programming (administrative) costs related to this provision. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process. Officials from the DOR assume the provision will have minimal fiscal impact on their organization.

Oversight notes that **DOR** and **B&P** both note the deductions for purpose of the state and local taxes (SALT) paid by pass-through business owners are currently capped at \$10,000. Conversely, C corporations are allowed to fully deduct these same expenses. In states that tax pass-through firms at the owner level, the disparate treatment puts their firms at a significant disadvantage compared to C corporations. As such, restoring the federal SALT deduction in its entirety for pass-through entities has been a key priority for [S-CORP](#) and the [Main Street Employers coalition](#) since the cap was implemented back in 2017.

Oversight notes, that according to the [taxpolicycenter.org](#), a joint project from the Urban Institute and the Brookings Institution, in 2017, 16 percent of tax filers with income between \$20,000 and \$50,000, 76 percent of tax filers with income between \$100,000 and \$200,000, and over 90 percent of tax filers with income above \$200,000 claimed SALT.

Oversight notes since 2018, the Main Street Employers coalition has led advocacy efforts to restore the State and Local Tax (SALT) deduction for pass-through businesses. More than a half dozen states have enacted various version of such a legislation to date and, following the 2020 Treasury Department announcement, IRS Notice 2020-75 (11/2020), validating this legislative approach, SALT Parity measures are being actively considered in more than a dozen states this year.



<https://news.bloombergtax.com/tax-insights-and-commentary/salt-cap-workaround-pass-through-entity-tax-update-part-ii>

Oversight notes that under this provision, a small business may elect to pay tax at the entity level, and a corresponding credit is allowed at the partner, member, or shareholder level. There are four main categories of businesses, which would qualify for such a deduction as shown below:

- a) General Partnerships
- b) Limited Partnerships
- c) Limited Liability Companies
- d) Sub-Chapter S Corporations

Additionally, there are no restrictions as to Multi-tier Partnerships or Trusts that are entity partner members.

Oversight notes that officials from the DOR and SOS added, via additional e-mails, that there are currently at least 81,000 S-Corporations in Missouri. The Department of Revenue is not able to discern how many partnerships are currently in Missouri. Officials from the SOS note that a partnership can exist and function as a business without any kind of document setting out the rights or responsibilities of the partners. These partnerships function similarly to a sole proprietorship, but have two or more owners (partners). The only partnerships which have to register with the SOS are those which intend to limit the liability of the individual partners or the

partner company, and in this regard, function similarly to a corporation. Therefore, neither DOR nor SOS can estimate the collective number of partnerships which operate in Missouri at any given time, as they are not all required to register.

Oversight notes that by paying tax at the entity level, members of the PTE are deducting expenses and taxes incurred by the trade or business (i.e., an above-the-line deduction) versus a conventional below-the-line deduction at an individual level that would be subject to the SALT limitation of \$10,000. Moreover, according to estimates from the U.S. Congress’ Joint Committee on Taxation, less than 15% of taxpayers currently qualify to itemize their deductible amounts while filing taxes with average AGI of \$60,981 and an average SALT amount of \$9,958.

As provided in the provision, companies file their income tax at the individual level while using the 95% credit for filing at the entity level as a deduction. For the purpose of this provision, **Oversight** will assume that the company election process will happen throughout FY 2023 due to various companies’ filing tax schedules. (I.e. some filing monthly, quarterly, annually, etc.)

For information purpose, **Oversight** will show the various impact of the provision below:

Table 1

Proposed - *assuming \$200,000 deductible without SALT cap			
Entity Level	ABC LLP - 2 Members 50/50 Partners		
Net Income	800,000		
Tax liability paid	32,000		
Member level	A - 50%		B-50%
Net Income	\$ 400,000.00	\$ 400,000.00	
Tax	\$ 21,200.00	\$ 21,200.00	
Tax Credit at 95%	(\$32,000/2)*.95		(\$32,000/2)*.95
Tax credit amount awarded	\$ 15,200.00	\$ 15,200.00	
Tax liability amount at members level	\$ 6,000.00	\$ 6,000.00	
Total tax paid	\$ 22,000.00	\$ 22,000.00	
		\$ 44,000.00	

Oversight notes the example in Table 1 shows how the 95% tax credits would work against the personal income taxes at the individual member level from the current law.

Table 2

Current Law			
Entity Level	ABC LLP - 2 Members 50/50 Partners		
Net Income	1,000,000		
Tax liability paid	0		
Member level	A - 50%		B-50%
Net Income (entity + other income)	\$ 600,000.00		\$ 600,000.00
Tax	\$ 31,800.00		\$ 31,800.00
Tax Credit at 95%			
Tax credit amount awarded			
Tax liability amount at members level			
Total tax paid to the State	\$ 31,800.00		\$ 31,800.00
			\$ 63,600.00

Oversight notes in Table 2, the current law provides lesser tax deductions beyond SALT allowable deductions. However, Table 3 also shows that due to the personal income of each member within the partnership, the overall collected tax in Missouri would not be lesser or higher, but minimally higher or lesser depending on the individual company and each member’s personal tax consequence.

Table 3.

Entity Level	ABC LLP - 2 Members 50/50 Partners		
Net Income	800,000		
Tax liability paid	32,000		
Member level	A - 50%		B-50%
Net Income (entity + other income)	\$ 600,000.00		\$ 600,000.00
Tax	\$ 31,800.00		\$ 31,800.00
Tax Credit at 95%	(\$32,000/2)*.95		(\$32,000/2)*.95
Tax credit amount awarded	\$ 15,200.00		\$ 15,200.00
Tax liability amount at members level	\$ 16,600.00		\$ 16,600.00
	(31,800-15,200)		
Total tax paid	\$ 32,600.00		\$ 32,600.00
	partner 1+ partner 2 tax totals		\$ 65,200.00

Oversight is not able to discern the level of gain or loss to general revenue in any given year because there is currently no data showing the amount of individual income levels or tax rate for each affected company specified within the provision. (I.e. LLP, LP, S-Corp. etc.)

Oversight notes the provision shall be apply to tax years ending on or after December 31, 2022. The taxpayers will not be filing their 2022 income taxes until January 1, 2023 (FY 2023).

Therefore, Oversight will note a minimum Unknown positive to Unknown negative impact beginning in FY 2023 in the fiscal note.

Oversight notes that while the Tax Cuts and Jobs Act placed a \$10,000 cap on the SALT deduction, it's only temporary. The cap applies to taxable years 2018 through 2025. After tax year 2025, the cap will end, and taxpayers will once again be able to deduct 100 percent of their eligible state and local taxes, unless other tax code changes are passed before then.

Section 144.030 (22) Farm MV Sales Tax Exemption

In response to the similar proposal, HB 2599 (2022), officials from the **Department of Revenue (DOR)** noted this provision modifies the sales tax exemption on farm equipment. Currently farm equipment purchased for use on a farm is exempt from sales tax. A purchaser provides his sales tax exemption certificate to the seller and no sales tax is charged on the purchase if the purchaser says he will use the equipment on his farm. The Department notes this exemption certificate process is not changed by this provision.

This provision adds the definition of utility vehicle to the list of farm equipment that is exempt to clarify what counts as "farm equipment". Questions have arisen as to what counts as farm equipment and this proposal adds language clarifying that utility vehicles are farm equipment. DOR assumes no fiscal impact from the clarifying language.

DOR notes this provision would no longer require the machinery in question to be used "exclusively" for agricultural purposes. Now, the qualifying machinery would only need to be used for "any" agricultural purpose. These changes could expand the current exemption to include more "dual purpose" items, such as a vehicle that is used on a farm, but also driven on public roads. DOR believes that this is already happening with equipment that qualifies for the sales tax exemption. Should there be some equipment that was not eligible for the exemption that will now be, this could have a minimal negative impact on the state.

In response to the similar proposal, HB 2599 (2022), officials from the **Office of Administration - Budget and Planning (B&P)** noted Section 144.030.2(22)(a) would add utility vehicles (UTVs) to the farm equipment sales tax exemption. In addition, this section would expand the farm equipment exemption to all vehicles used for any farm activities. B&P notes that the current exemption is for farm equipment used exclusively for farm activities.

Based on information provided by DOR, they believe the sales tax exemption is already being used for UTV purchases and for other motor vehicles that are not actually being used exclusively for farm activities. Therefore, B&P notes this provision may have an unknown, likely minimal, negative impact on MV sales tax funds.

Oversight notes the proposed changes to the current sales tax exemptions could result in additional equipment that was not previously eligible for exemption that would now be exempt under this proposal. DOR and B&P both indicated this could impact state revenues; therefore, Oversight will show a negative impact of an unknown amount. However, based on DOR and B&P's response of "minimal negative impact to the state", Oversight will assume the impact would not exceed the \$250,000 threshold.

Section 285.730 - Modifies provisions relating to professional employer organizations

In response to the similar proposal, SB 904 (2022), officials from the **Office of Administration (OA)** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

In response to the similar proposal, SB 904 (2022), officials from the **Department of Health and Senior Services (DHSS)** defer to the OA for the potential fiscal impact of this proposal.

In response to the similar proposal, SB 904 (2022), officials from the **Office of Administration - Administrative Hearing Commission, Office of Administration - Budget and Planning, Department of Commerce and Insurance, Department of Economic Development, Department of Mental Health, Department of Labor and Industrial Relations, Department of Revenue, Department of Social Services, Missouri Department of Conservation, Missouri Department of Transportation, MoDOT & Patrol Employees' Retirement System, Missouri State Employee's Retirement System, University of Missouri System, City of Kansas City, City of O'Fallon, and the City of Springfield** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **University of Central Missouri** indicated the proposal would have an indeterminate fiscal impact on their organization. **Oversight** requested more information from the University of Central Missouri regarding their response; however, the organization did not provide any detail as to elaborate on specific impact stemming from the proposal.

Section 407.475 – Regulating of Disclosure Procedures of Charitable Organizations.

In response to the similar proposal, SCS for SB 968 (2021), officials from the **Attorney General's Office, Office of Administration - Budget and Planning, Department of Economic Development, Department of Natural Resources, Department of Corrections, Department of Labor and Industrial Relations, Department of Elementary and Secondary Education, Department of Higher Education and Workforce Development, Department of Health and Senior Services, Department of Mental Health, Department of Public Safety, Department of Social Services, Missouri Department of Agriculture, Missouri Department of Conservation, Department of Transportation, Department of Commerce and Insurance,**

Department of Economic Development, Department of Social Services, and the Office of the State Courts Administrator each assume the proposal would not fiscally impact their respective agencies.

In response to the similar proposal, SCS for SB 968 (2021), officials from the **Department of Labor and Industrial Relations** assumed the proposal would not fiscally impact their agency.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

In response to the similar proposal, SCS for SB 968 (2021), officials from the **Department of Revenue (DOR)** state the proposed legislation would prohibit a state agency or official from imposing an annual filing/reporting requirement on an organization regulated or specifically exempted from regulation under sections 407.450 to 407.478, if those annual filing/reporting requirements are more stringent, restrictive, or expansive than the requirements of section 407.462. Section 407.475.1., RSMo, would provide an exception for filing/reporting requirements specifically required or authorized by federal law.

Depending on whether this proposal applies to state tax filing and tax reporting requirements, this proposal may impact DOR as it pertains to tax administration. If DOR could no longer require tax returns of certain organizations this could result in a significant but unknown loss to general revenue and total state revenue.

Oversight will reflect the possible scenario described by DOR in the fiscal note as a \$0 or (Unknown) potential loss of general revenue funds.

Section 620.3800 – Office of Entrepreneurship

Officials from the **Department of Revenue** assume this provision will not fiscally impact the Department.

Officials from the **Office of Administration - Budget and Planning** note this section would create the “Office of Entrepreneurship” under DED. The office shall promote policies and initiatives to support entrepreneurship within Missouri. In addition, the Office of Entrepreneurship and OA shall jointly make recommendations on improving access and resources for businesses in operation for less than three years.

In response to a previous version (HCS for HB 1590), officials from the **Department of Economic Development (DED)** noted that DED is responsible for administering the “Office of Entrepreneurship” and shall employ an individual to promote policies and initiatives to support the growth of entrepreneurship in the state. The Office of Entrepreneurship is also responsible for preparing a report for the general assembly making recommendations on improving access

and resources for new Missouri businesses that have been in operation for less than three years. DED will need 1.0 FTE to administer the Office of Entrepreneurship.

Sections 620.3900, 620.3905, 620.3910, 620.3915, 620.3920, 620.3925, and 620.3930 – Regulatory Sandbox

Officials from the **Office of Administration – Budget & Planning** note:

An applicant shall remit to the regulatory relief office an application fee of five thousand dollars per application for each innovative offering. It is not specified in the bill where this money will be deposited, therefore B&P assumes it will be GR. This will have an unknown positive impact on GR and TSR.

This bill would also provide that during the demonstration period, a sandbox participant shall not be subject to the enforcement of state laws or regulations identified in the written agreement between the regulatory relief office and the sandbox participant. There is not enough information on what laws or regulations may be waived or what impact the waiver will have on TSR.

Oversight notes that an applicant shall remit to the regulatory relief office an application fee of \$300 (changed from \$5,000 in original bill) per application for each innovative offering. Therefore, Oversight will reflect a potential positive fiscal impact on State Funds for this application fee.

Oversight, for the purpose of this fiscal note, retrieved average patent filings in the State of Missouri to estimate how many entrepreneurs would potentially be participating in this pool. According to the [U.S. Patent and Trademark Office](#) – Patent Technology Monitoring Data (PTMT) there were on average 868 patents filed by Missourians annually between FY 2000 to FY 2015.

Oversight notes that the proposal assesses a \$300 fee that must be paid in order to participate in this program. Oversight assumes that the fee structure could potentially result in additional revenue of \$260,400 (\$300 x 868 potential innovative entrepreneurs). Therefore, for purpose of this fiscal note, **Oversight** will reflect a positive unknown amount to the General Revenue Fund

Oversight assumes that the fee paid to participate will be remitted to the GR, for purpose of this fiscal note, and as shown above the amounts collected could potentially exceed \$250,000.

Officials from the **Department of Revenue (DOR)** note:

The proposal would create a new government entity, the “regulatory relief office,” which may enter into agreements to essentially waive the requirements of Missouri’s statutes and regulations on certain participating businesses. The proposal directs the regulatory relief office to consult with applicable agencies, including concerning whether the applicable agency has previously investigated, sanctioned, or pursued legal action against the applicant. The proposed legislation prohibits these agreements from exempting an applicant “from any income, property, or sales tax

liability unless such applicant otherwise qualifies for an exemption from such tax.”

Should a participant in this program, be allowed to not pay taxes this will impact state revenue and DOR. DOR has numerous other tax types besides the income tax and sales tax exempted under this proposal. Examples include, withholding tax, tire and battery fee taxes, use taxes and more that do not appear protected under this proposal. Additionally, this regulatory relief office is given authority to waive state law and regulations. DOR is concerned this would result in filing deadlines being moved or changed for some filers and not others or payments being waived.

Additionally, this proposal requires the agencies to provide information on DOR’s relationships with a participating business to the regulatory relief office. Some of this information is currently protected under DOR's confidentially laws.

At this time, DOR is unable to estimate a fiscal impact from this proposal. DOR could possibly need additional FTE to work with the regulatory relief office depending on the number of participants, as well as have losses to revenue if participants are allowed to not pay taxes.

Oversight notes DOR assumes the proposal would allow for selected companies, who participate in the Sandbox program, to receive relief from various taxes which would have an effect on General Revenues and Other State Funds. Additionally, the DOR assumes the need for additional FTE to ensure compliance with this proposal. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a potential (\$0 or) unknown negative impact to the General Revenue and Other State Funds, as a result of reduction in a various tax revenues and potential FTE costs, in the fiscal note.

Officials from the **Department of Economic Development (DED)** assume the proposal states that the regulatory relief office will be administered by a sandbox program director. DED has estimated personal service costs by taking a mid-range salary of a typical Program Director (Designated Principal Assistant) at DED who oversees an office but does not supervise staff. DED also believes additional review (e.g., reviews of state laws) would require a legal counsel FTE. If DED determines that additional staff are needed to administer the sandbox program, DED will request additional FTE through the normal budget process.

Officials from the **Missouri Department of Agriculture (MDA)** assume the proposal, specifically Section 620.3905.2(4) could result in a loss of fee funds to the Missouri Department of agriculture. If fees are not required to be paid in accordance with current regulations, guidelines, and policies, the fee-fund revenue to the Department could substantially decrease. The fee funds support many FTE within MDA, in accordance with their respective divisions and the fees associated with such; the loss of fee funds could result in the need for reductions in staff due to unavailability of funding. This loss in fee-fund revenue will result in a need for general revenue to support these necessary positions across the state of Missouri.

Oversight notes officials from the MDA assume the proposal will have a direct fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore,

Oversight will reflect an Unknown negative impact for MDA, for various state funds, in the fiscal note.

Oversight notes that DED assumes the proposal will have a direct fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect an unknown cost for the DED's FTE in the fiscal note.

Officials from the **Missouri Department of Conservation (MDC)** assume the proposal will have an unknown fiscal impact on their organization and could potentially affect MDC funds. **Oversight** notes that 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, thus MDC's sales taxes are constitutional mandates.

Additionally, **Oversight** notes the Park, Soil, and Water Sales Tax funds are derived from the one-tenth of one percent sales and use tax pursuant to Article IV Section 47 (a) thus DNR's sales taxes are constitutional mandates. Therefore, Oversight will reflect the fiscal impact estimates for DNR's funds. Therefore, **Oversight** will reflect the MDC's and DNR's fiscal impact estimates in the fiscal note.

Officials from the **Department of Commerce and Insurance (DCI)** assume the proposal, specifically Sections 620.3900 - 620.3930, would have an unknown impact to DCI depending on the number of businesses and individuals that would request to participate in the Sandbox Program.

Oversight notes that changes in the HCS exempt the Division of Professional Registration. DCI assumes this proposal would have a direct fiscal impact on other areas of their organization. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a negative unknown impact to various state funds in the fiscal note.

Oversight notes that there are few examples of various agency costs in similar Sandbox proposals filed in the States of Utah, Ohio, Nebraska, Nevada, and the Arizona. Each fiscal note addresses the difficulty of projecting any costs associated with the proposals. However, recent fiscal note submitted to the Nebraska Legislature for consideration of similar bill LB 1127 ([Nebraska Sandbox proposal - 2022](#)) from various agencies claiming costs associated with the proposal, are provided in the [Table 1](#).

Oversight notes that the Missouri Sandbox proposal requires, among other duties, the Administrator to:

- Act as a Liaison between private businesses and agencies of the State
- Consult with each affected agency
- Establish Program to enable a person to obtain legal protections
- Review State Laws

- Create a framework for analyzing the risk level of the health, safety, and financial well-being of consumers
- Propose and enter into reciprocity agreements
- Enter into agreements with or adopt best practices of corresponding federal regulatory agencies and other states
- Create and maintain the Department’s website
- Create and submit annual reports to the governor and general assembly

Oversight notes that there are many other duties required from the Sandbox Office under this proposal. Therefore, it is probable that the agencies tasked with the regulatory implementation of this program, such as DOR or DED, will need additional FTEs in order to provide the regulatory framework and compliance procedures for this Act.

Oversight notes that Missouri population is at least 3 times greater (6.6M – Missouri population / 1.94M –Nebraska Population) than that of Nebraska, thus the costs could potentially reach a higher level of expenditure in Missouri. Therefore, for purpose of this fiscal note, **Oversight** will note an unknown negative impact to the General Revenue and Other State Funds, which could potentially exceed \$250,000 in various FTE and forgone tax revenue costs to various state funds in the fiscal note.

Table 1.

AGENCY	FY 2023	FY 2024
Department of Economic Development	\$ 520,380.00	\$ 641,930.00
Department of Banking and Finance	\$ 223,025.00	\$ 215,325.00
Board of Engineers and Architects	\$ 3,300.00	\$ 3,300.00
Department of Environment and Energy	\$ 202,371.00	\$ 202,371.00
Department of Agriculture	\$ 77,500.00	\$ 77,500.00
Liquor Control Commission NFI NFI	No Fiscal Impact	No Fiscal Impact
Motor Vehicle Industry Licensing Board No discernable impact No discernable impact	No Discernable impact	No Discernable impact
Nebraska State Electrical Division Indeterminable Indeterminable	Indeterminable	Indeterminable
Board of Barber Examiners Indeterminable Indeterminable	Indeterminable	Indeterminable
Attorney General NFI NFI	No Fiscal Impact	No Fiscal Impact
Nebraska Real Estate Commission Negligible to significant Negligible to significant	Negligible to Significant	Negligible to Significant
Supreme Court NFI NFI	No Fiscal Impact	No Fiscal Impact
Department of Labor NFI NFI	No Fiscal Impact	No Fiscal Impact
Department of Administrative Services	\$ 71,200.00	\$ 77,000.00
Department of Insurance	\$ 168,900.00	\$ 173,317.00
Total	\$ 1,127,776.00	\$ 1,217,426.00
FTE total	9.5	10.5

Officials from the **Office of the Governor (GOV)** assume the proposal adds to the governor’s current load of appointment duties. Individually, additional requirements should not fiscally impact the Office of the Governor. However, the cumulative impact of additional appointment

duties across all enacted legislation may require additional resources for the Office of the Governor.

Oversight assumes GOV is provided with core funding to handle a certain amount of activity each year. Oversight assumes GOV could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, GOV could request funding through the appropriation process.

Officials from the **Office of Administration – Administrative Hearing Commission**, the **Office of Administration – Director’s Office**, the **Missouri Department of Transportation**, the **Department of Natural Resources**, and the **Office of the State Auditor** each assume the proposal will have no fiscal impact on their organizations. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact in the fiscal note for these agencies.

Officials from the **City of Kansas City**, the **City of O’Fallon**, the **City of Springfield**, and the **City of Claycomo** each assume this proposal would not have a direct fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact in the fiscal note for these local political subdivisions.

Oversight notes each county and city assess sales or use tax on the sale of goods in Missouri. The tax remitted to a various local political subdivisions serves the local political subdivision needs. DOR assume the companies could receive relief from various taxes. This could have an effect on the local political subdivisions. Therefore, **Oversight** will note a potential unknown negative impact to the local political subdivision funds in the fiscal note, depending upon sandbox participants and applications.

SA 1 – 253.550 – Distribution of funds for a rehabilitation of the eligible historical property

This provision specifies that all historical preservation tax credit must be primarily paid from the 30 million dollars distributed by the Department of Economic Development before using any additional funds provided by other State entities. Oversight notes this provision will not add any additional cost to the proposal. Without input from state agencies due to the short fiscal note turnaround time, **Oversight** will reflect a zero impact in the fiscal note for this amendment.

SA 2 – Section 44.032 – Emergency Fund for Utilities

In response to the similar proposal HCS for HB 2328 (2022), officials from the **Department of Public Safety - State Emergency Management Agency (SEMA)** assume there will be a fiscal impact in regard to §44.032 that could require a substantial amount of General Revenue. While there has been ongoing discussions regarding obligation of funds for the “Missouri Disaster Fund”, there is currently no General Revenue obligated to the fund.

SEMA states that Missouri just received a new Major Presidential Disaster Declaration, FEMA-4636-DR-MO, for severe storms and tornadoes that occurred on December 10, 2021. The declaration is for seven counties and has eight applicants. Seven of the eight applicants are Rural Electric Coops (REC's). FEMA has estimated the disaster damages for DR 4636 at \$27.3 million. All of the \$27.3 million in estimated damages belong to the REC's with the exception of \$63,000, which is road and debris damage in Reynolds County.

SEMA states the HCS would allow the REC's, per statute, to receive state general revenue funds from SEMA for damages incurred due to storm events during response/recovery efforts. If the storm event became a federally declared disaster, it is possible that SEMA could receive reimbursement from FEMA at a 75% federal cost share with the state paying the 25% non-federal cost share. If the storm event did not meet the criteria to be a federally declared event, the state would have to pay the full 100% out of state general revenue with no avenue for reimbursement.

Oversight assumes, based on SEMA's response, that General Revenue funds will be used to cover expenses under §44.032. Oversight will reflect a \$0 to (Unknown, Greater than \$250,000) impact to General Revenue and will assume that expenses to the Missouri Disaster Fund will equal the amount transferred in from General Revenue and net to zero. Oversight notes as of February 2022, the balance in the Missouri Disaster Fund is \$638,477.

In response to the similar proposal HCS for HB 2328 (2022), officials from the **Department of Commerce and Insurance**, the **Department of Economic Development**, the **Department of Natural Resources**, the **Missouri Department of Conservation**, the **Missouri Department of Transportation**, the **Office of Administration**, the **Hughesville Water/Wastewater**, the **Little Blue Valley Sewer District**, the **Metropolitan St. Louis Sewer District**, the **South River Drainage District**, the **Wayne County PWS #2**, and the **Hancock Street Light District** each assume the proposal will have no fiscal impact on their respective organizations.

In response to the similar proposal HCS for HB 2328 (2022), officials from the **Morgan County PWS #2** responded to the legislation but did not provide a fiscal impact.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

SA 3 – Section 650.570 “Faith without Fear Act” (Grants for physical security measures)

In response to a similar proposal (SB 1151), officials from the **Office of Administration - Budget and Planning (B&P)** stated Section 650.570 of this bill creates the "Faith Without Fear Act" which provides that the Department of Public Safety shall distribute to any not-for-profit organization a one-time grant for the purpose of enhancing physical security. Each not-for-profit organization shall receive no more than one grant pursuant to this act and grants shall not exceed 75% of the total cost of the security enhancement. Additionally, no more than \$25 million shall be distributed pursuant to this act and no more than \$2.5 million per any fiscal year. Finally, no

more than \$50,000 shall be distributed to any one not-for-profit organization annually. B&P will show a cost to the state of \$0 to \$2.5 million annually.

Oversight does not have any information contrary to that provided by B&P. Therefore, Oversight will reflect B&P's impact for fiscal note purposes.

In response to the similar proposal, SB 833 (2022), officials from the **Department of Public Safety - Office of the Director (DPS)** state this proposal creates a new requirement for the DPS to distribute grants to not-for-profit agencies. Due to the size of the new grant program, the DPS requests one (1) FTE Grants Officer to administer the grant program at an annual salary of \$42,953.

Oversight assumes DPS will not require an additional FTE until monies are appropriated for the Faith Without Fear Act. Therefore, Oversight will reflect a range of up to the estimated provided by DPS for fiscal note purposes.

SA 4 – Section 431.204 - Business Covenants

In response to the similar proposal, SB 833 (2022), from the **Department of Labor and Industrial Relations, Missouri Department of Conservation, Missouri Department of Transportation, Attorney General's Office, Office of Administration**, and the **Administrative Hearing Commission** each assume this proposal will have no fiscal impact on their respective agencies.

In response to the similar proposal, SB 833 (2022), officials from the **City of Kansas and City of Springfield** both assume this proposal will have no fiscal impact on their respective organizations.

In response to the similar proposal, SB 833 (2022), from the **Missouri State University and University of Missouri System** both assume this proposal will have no fiscal impact on their respective organizations.

Oversight notes the above mention agencies, universities, and local political organization have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact on the fiscal note.

SA 6, as amended – Section 135.1620 - Establishes a tax credit for Grocery Stores in a Food Desert

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this proposal creates tax credits for taxpayers who establish a new location within a classified food desert within the state. Based on data published in 2019 by the United States Department of Agriculture, there are 453 census tracts within Missouri that are classified as low-income and

have a population that is located at least one-half mile from a full-service grocery store in urban areas or ten miles in rural areas.

If these businesses were to locate in one of these tracts, the qualifying taxpayer would be able to claim tax credits against their state tax liability up to 50% of their eligible costs after the initial expenses have exceeded \$1,000,000 for stores established in charter counties, counties of first classification, or a city not within a county; or \$500,000 for stores located in any other county. No more than \$25M in tax credits can be authorized in any given calendar year. This proposal also allows any tax credits that have been issued to be transferred, sold, or assigned.

“New location” is for real property acquired after 1/1/2023; therefore, general and total state revenues may be reduced as early as FY 2024.

This provision could lower general revenues by up to (\$25,000,000) beginning in FY24. This provision could impact total state revenue and the calculation under Article X, Section 18(e). Due to the carryforward provision in any given year, the amount redeemed may exceed the estimate shown after the first full fiscal year.

Officials from the **Missouri Department of Revenue (DOR)** state the proposal would create a new tax credit for tax years beginning on or after January 1, 2023 for the construction or development of real property for the purpose of establishing a full-service grocery store in a food desert. The tax credit would be in the amount of 50% of the eligible expenses that are in excess of initial eligible expenses. A taxpayer becomes eligible for the tax credit only after initially expending \$1,000,000 (in a charter county, county of the first classification, or city not within a county) or expending \$500,000 (in any other county). The tax credit would be 50% of the expense over these minimum limits.

The tax credit has a \$25 million cap. With each person not eligible to claim more than \$2.5 million per year. The tax credit can be carried forward for three tax years and is transferable, but is not refundable.

This will be a loss to general revenue of \$25 million annually. This will impact the state in FY 2024 when the first tax returns are submitted claiming the credit.

The full amount of the tax credits issued, plus a reasonable rate of return on the value of the credits, is subject to "clawback" if the taxpayer fails to complete construction of the full-service grocery store within five years of project commencement or fails to operate that store at the same location for ten consecutive years. DED is given regulatory authority regarding this credit, and the credit is subject to a sunset clause.

This would be a new income tax credit and it would be added to the MO-TC and information about the credit would be added to DOR's website and changes would be needed in DOR's individual income tax system. DOR notes the costs to update these items is \$3,596.50. DOR will need the following FTE should the number of credits redeemed justify the FTE.

- 1 FTE Revenue Processing Technician for every 6,000 credits redeemed
- 1 FTE Revenue Processing Technician 1 for every 4,000 tax credit transfers with CISCO phones and license.
- 1 FTE Revenue Processing Technician for every 7,600 errors/correspondence generated

Oversight notes DOR is responsible for the redemption of tax credits against a taxpayer's state tax liability as well as reallocating tax credits as a result of any sale, transfer, or assignment of tax credits. Furthermore, DOR is responsible for generating correspondence should tax returns fail to provide the necessary documentation to warrant tax credit redemption(s) and appropriately process the correspondence they receive in response.

Oversight notes the tax credit program proposed has an annual cap of \$25 million. Furthermore, taxpayers who qualify for the tax credit created may claim a tax credit up to \$2.5 million per tax year. Therefore, Oversight assumes the minimum number of taxpayers that could qualify and claim this tax credit each year (and utilize the entire cap) could be as low as ten (10). Thus, **Oversight** assumes DOR can absorb the responsibilities associated with the new tax credit program with existing resources. Should DOR experience the number of redemptions, transfers, and/or correspondence that warrant additional FTE, DOR may seek additional FTE through the appropriation process.

Officials from the **Missouri Department of Economic Development (DED)** state the proposal allows a taxpayer to claim a tax credit equal to 50% of the taxpayer's eligible expenses for establishing a full-service grocery store in a food desert.

The taxpayer cannot claim more than \$2.5M/tax year but tax credits may be carried over for three years until full credit has been claimed. The total that may be authorized in any calendar year shall not exceed \$25M. Sunsets six years after effective date of January 1, 2023.

DED will need to hire 2.0 FTE to review applications, determine qualifications, and calculate eligible amounts, review final qualifying expenses, complete compliance and to administer the program.

Oversight notes the tax credit program proposed has an annual cap of \$25 million. Furthermore, taxpayers who qualify for the tax credit created may claim a tax credit up to \$2.5 million per tax year. Therefore, Oversight assumes the minimum number of taxpayers that could qualify and claim this tax credit each year could be as low as ten (10). Thus, Oversight assumes DED can absorb the responsibilities of the tax credit program created with existing resources. Should the responsibilities of the tax credit program justify additional FTE(s), DED may seek additional FTE through the appropriation process.

Oversight notes this proposed legislation creates a tax credit for individuals, partnerships, corporations or various charitable organizations who establish a full-service grocery store within a food desert.

This proposed legislation defines “food desert” as a census tract that has a poverty rate of at least twenty percent (20%) or a median family income of less than eighty percent (80%) of the statewide average and where at least five hundred (500) people or thirty-three percent (33%) of the population are located at least one-half mile away from a full-service grocery store in urbanized areas or at least ten miles away in rural areas.

Based on data published by the [United States Department of Agriculture](#) (USDA) in 2019, there were approximately 466 census tracts in Missouri in 2010 that were classified as low-income and low-access (one-half mile from a full-service grocery store in urban areas or ten miles from a full-service grocery store in rural areas). Oversight will show the number of low-income/low-access tracts per county below (counties with no low-income/low-access are not included in the chart):

County	LILATracts_halfAnd10
Adair County Total	3
Andrew County Total	0
Atchison County Total	0
Audrain County Total	3
Barry County Total	0
Barton County Total	1
Bates County Total	1
Benton County Total	2
Bollinger County Total	0
Boone County Total	8
Buchanan County Total	9
Butler County Total	7
Caldwell County Total	1
Callaway County Total	0

Camden County Total	1
Cape Girardeau County Total	4
Carroll County Total	1
Carter County Total	1
Cass County Total	5
Cedar County Total	2
Chariton County Total	0
Christian County Total	1
Clark County Total	0
Clay County Total	12
Clinton County Total	1
Cole County Total	4
Cooper County Total	0
Crawford County Total	1
Dade County Total	1
Dallas County Total	2
Daviess County Total	0
DeKalb County Total	0
Dent County Total	3
Douglas County Total	3
Dunklin County Total	4
Franklin County Total	2

Gasconade County Total	0
Gentry County Total	0
Greene County Total	27
Grundy County Total	1
Harrison County Total	2
Henry County Total	4
Hickory County Total	0
Holt County Total	0
Howard County Total	1
Howell County Total	2
Iron County Total	2
Jackson County Total	83
Jasper County Total	6
Jefferson County Total	5
Johnson County Total	2
Knox County Total	1
Laclede County Total	2
Lafayette County Total	0
Lawrence County Total	1
Lewis County Total	0
Lincoln County Total	0
Linn County Total	1

Livingston County Total	3
McDonald County Total	0
Macon County Total	2
Madison County Total	2
Maries County Total	0
Marion County Total	4
Mercer County Total	0
Miller County Total	1
Mississippi County Total	2
Moniteau County Total	1
Monroe County Total	1
Montgomery County Total	1
Morgan County Total	0
New Madrid County Total	2
Newton County Total	2
Nodaway County Total	2
Oregon County Total	2
Osage County Total	0
Ozark County Total	2
Pemiscot County Total	3
Perry County Total	1
Pettis County Total	5

Phelps County Total	1
Pike County Total	2
Platte County Total	1
Pulaski County Total	1
Putnam County Total	0
Ralls County Total	0
Randolph County Total	1
Ray County Total	0
Reynolds County Total	0
Ripley County Total	1
St. Charles County Total	4
St. Clair County Total	0
Ste. Genevieve County Total	1
St. Francois County Total	0
St. Louis County Total	39
Saline County Total	3
Schuyler County Total	2
Scotland County Total	0
Scott County Total	5
Shannon County Total	1
Shelby County Total	0
Stoddard County Total	1

Stone County Total	0
Sullivan County Total	2
Taney County Total	2
Texas County Total	0
Vernon County Total	3
Warren County Total	0
Washington County Total	2
Wayne County Total	2
Webster County Total	1
Worth County Total	0
Wright County Total	2
St. Louis city Total	54
Grand Total	390

Oversight notes the proposed legislation would provide a taxpayer who establishes a full-service grocery store in a food desert a tax credit equal to fifty percent (50%) of the taxpayer’s eligible expenses incurred. Oversight notes this could be any expenses incurred in the construction or development of real property for the purpose of establishing a full-service grocery store in a food desert.

Oversight notes, in order to qualify for the tax credit created, initial expenses must be incurred equal to \$1 million if the full-service grocery store is established in a charter county, a county of the first classification, or a city not within a county or \$500,000 if the full-service grocery store is established in any other county.

The tax credit authorized under this proposed legislation may not exceed the taxpayer’s state tax liability and is; therefore, not refundable. However, any amount of tax credit that exceeds the taxpayer’s state tax liability in the year in which the “contribution” was made may be carried forward to the next three (3) succeeding tax years.

Oversight assumes a “contribution” to be the expenses incurred in establishing a full-service grocery store.

Furthermore, this proposed legislation states that no taxpayer may claim a tax credit in an amount greater than \$2.5 million per tax year. The proposed legislation places a \$25 million per calendar year cap on the tax credit program. Thus, Oversight notes the minimum number of taxpayers that could potentially qualify for this tax credit could be as low as ten (10) each calendar year (\$25,000,000 / \$2,500,000).

The tax credits created under this proposed legislation may be transferred, sold, or assigned.

The tax credit program created would sunset on December 31, 2028.

Oversight notes this proposed legislation creates a clawback provisions for taxpayers that are issued credits authorized under this section but fail to complete construction of a full-service grocery store within five years of the commencement of the project or fails to operate a full-service grocery store at the same new location for at least ten consecutive years. Oversight is unable to determine whether or not this clawback provision will have an impact on state revenues and will not show an impact for this portion of this proposed legislation.

Oversight notes the proposed legislation states a new location is a full-service grocery store located on a tract of real property within a food desert that is acquired or leased on or after January 1, 2023. Thus, the first tax year in which taxpayers could claim the tax credit created is Tax Year 2023; Tax Year 2023 tax returns will not be filed until after January 1, 2024 (Fiscal Year 2024).

Therefore, Oversight will report a reduction to GR equal to “\$0 up to \$25,000,000” beginning in Fiscal Year 2024. A reduction to GR equal to \$0 would occur if no full-service grocery store is established within a food desert in the particular tax year and a reduction to GR equal to \$25,000,000 would occur if the annual cap is met.

Officials from the **Missouri Department of Health and Senior Services** and the **Missouri Department of Agriculture** do not anticipate this proposed legislation will have a fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, for purposes of this fiscal note, Oversight will not show a fiscal impact for these organizations.

SA 1 to SA 6 – modify Section 135.1620 for Grocery Stores in Food Desert and states that the tax credit program is subject to appropriation. Therefore, Oversight will note range of impact from zero (no monies were appropriated for Section 135.1620) or Up to \$25Million.

SA 7 – Removes the entire Section 71.990 (Home Based Businesses)

SA 8 – Section 105.145 Changes the laws regarding financial reports by political subdivisions

In response to the similar proposal, HCS for HB 1633, officials from the **Office of Administration - Budget and Planning (B&P)** assume §105.145 of the proposal caps the fine for failure to submit annual financial statements for political subdivisions with less than 3,500 inhabitants to 10% of the total sales and use tax revenue for the fiscal year for which the annual financial statements were not timely submitted. This may result in a revenue loss for both the state and schools.

It also requires the chief executive and chief financial officer of the municipality be notified by DOR by regular mail or electronic means with a delivery confirmation instead of certified mail. This version of the HCS alters the commencement of the fine from 31 days after the certified mail postmark date to the date the notice was sent.

The HCS adds Subsection 13 to the bill that addresses potential fraud as the reason for failure to submit the annual financial statement. DOR is directed to refund any fine upon notification of the political subdivision, but removes language regarding DOR receiving notification of the fraud or illegal conduct as the reason for the untimely annual statement submission.

A new Subsection 14 is added addressing a political subdivision's outstanding fine balance. The 90% downward adjustment DOR is allowed to make on outstanding fine or penalty balances after January 1, 2023 results in the amount of collections being reduced for both the state and DOR collection fees. Subsection 15 allows the DOR Director to make a one-time downward adjustment to any outstanding penalty if the director determines the fine is not collectable, beginning August 1, 2023 in this version of the HCS.

Rulemaking authority is also granted to the DOR Director related to this section. These downward adjustments will likewise result in a revenue loss for both the state and schools.

The State Demographer, based upon the information that B&P currently has on file, and looking only at those municipalities for which the Census Bureau tabulated a 2020 Census count and, the Secretary of State's Office has a date of incorporation and city classification on file, has identified 760 municipalities that are fewer than 3,500 inhabitants. B&P defers to DOR for more specific estimates of fines and actual collection costs.

In response to the similar proposal, HCS for HB 1633, officials at the **Department of Revenue (DOR)** state currently local political subdivisions are required to file annual financial statements with the State Auditor's Office. Failure to file those statements results in the political subdivision being assessed a fine of \$500 per day per statutes, which is deposited into school district funds. DOR notes that the Department started imposing this fine in August 2017. DOR receives notice from the State Auditor's Office if a political subdivision does not file their annual financial statement. At that time, the Department sends a notice to the political subdivision and thirty days later the fee starts to accumulate.

The Department collects the fine by offsetting any sales or use tax distributions due to the political subdivisions. In essence, the Department only gets to collect the fee if the political subdivision has a sales or use tax. Most of these political subdivisions do not have a sales or use tax for the Department to collect, so the Department assumes much of what is owed is uncollectable. Additionally, this is not state money but local political subdivision funds.

Currently, a transportation development district that has gross revenues of less than \$5,000 in a fiscal year is not subject to this fine.

The Department notes that per statute DOR is allowed to retain 2% of the amount collected for administration. Since the program began DOR has collected \$66,621 which has been deposited into General Revenue. All DOR collection fees are deposited into General Revenue and are not retained by the Department.

In regards to the \$500 per day fine, this proposal would limit municipalities with fewer than 3,500 inhabitants to a fine of no more than 10% of the total sales and use tax revenue collected in the fiscal year for which the report covers. This proposal will also require the Department to send the “failure to file” notice to both the chief executive and chief financial officer if the municipality has fewer than 3,500 inhabitants.

Current records of the Department show total fines of \$105,253,522 and that \$3,331,032 has been collected. The Department is showing the assessment of the fines by the political subdivision type and by the county in which the district that owes the fine is located.

County	Total Fine Imposed	Total Fine Collected
Adair	\$751,000.00	\$1,500.00
Andrew	\$63,500.00	\$0.00
Atchison	\$855,000.00	\$0.00
Audrain	\$1,014,500.00	\$0.00
Barry	\$1,863,500.00	\$16,202.57
Barton	\$0.00	\$0.00
Bates	\$944,000.00	\$30,500.00
Benton	\$236,500.00	\$0.00
Bollinger	\$1,682,500.00	\$0.00
Boone	\$259,000.00	\$24,588.62
Buchanan	\$1,100,000.00	\$53,342.38
Butler	\$1,624,000.00	\$35,414.25
Caldwell	\$100,000.00	\$15,312.17
Callaway	\$493,000.00	\$2,635.05
Camden	\$1,002,000.00	\$22,360.55
Cape Girardeau	\$280,000.00	\$0.00
Carroll	\$3,127,000.00	\$0.00
Carter	\$1,908,000.00	\$103,500.00
Cass	\$4,128,500.00	\$5,184.54
Cedar	\$221,000.00	\$28,500.00
Chariton	\$659,500.00	\$39,500.00
Christian	\$2,219,500.00	\$0.00
Clark	\$652,000.00	\$37,500.00
Clay	\$1,211,000.00	\$14,500.00
Clinton	\$982,000.00	\$16,500.00
Cole	\$633,000.00	\$5,097.95
Cooper	\$1,220,000.00	\$17,500.00
Crawford	\$1,335,500.00	\$15,500.00
Dade	\$211,500.00	\$0.00
Dallas	\$1,202,500.00	\$0.00
Daviess	\$623,500.00	\$0.00
DeKalb	\$643,500.00	\$0.00
Dent	\$194,500.00	\$0.00
Douglas	\$0.00	\$0.00
Dunklin	\$1,790,000.00	\$14,131.34
Franklin	\$1,357,000.00	\$1,064.01

Gasconade	\$65,500.00	\$5,036.88
Gentry	\$1,372,000.00	\$26.98
Greene	\$705,500.00	\$0.00
Grundy	\$847,500.00	\$0.00
Harrison	\$588,000.00	\$0.00
Henry	\$786,000.00	\$77,296.43
Hickory	\$614,500.00	\$0.00
Holt	\$1,701,000.00	\$10,500.00
Howard	\$888,000.00	\$147,500.00
Howell	\$642,500.00	\$11,000.00
Iron	\$29,500.00	\$12,000.00
Jackson	\$2,060,500.00	\$297,846.94
Jasper	\$327,500.00	\$101,100.62
Jefferson	\$1,203,000.00	\$19,301.01
Johnson	\$589,500.00	\$1,500.00
Knox	\$1,168,500.00	\$0.00
Laclede	\$240,000.00	\$12,000.00
Lafayette	\$283,500.00	\$34,028.54
Lawrence	\$2,699,500.00	\$0.00
Lewis	\$1,583,000.00	\$0.00
Lincoln	\$1,051,500.00	\$31,000.00
Linn	\$795,500.00	\$15,000.00
Livingston	\$1,158,000.00	\$0.00
Macon	\$236,500.00	\$0.00
Madison	\$1,777,500.00	\$79,389.02
Maries	\$118,000.00	\$0.00
Marion	\$55,500.00	\$0.00
McDonald	\$161,500.00	\$0.00
Mercer	\$439,000.00	\$0.00
Miller	\$801,500.00	\$4,598.44
Mississippi	\$101,000.00	\$4,977.98
Moniteau	\$0.00	\$0.00
Monroe	\$42,000.00	\$10,000.00
Montgomery	\$311,000.00	\$3,500.00
Morgan	\$0.00	\$0.00
New Madrid	\$1,631,500.00	\$122,693.96
Newton	\$440,500.00	\$25,500.00
Nodaway	\$2,637,000.00	\$19,500.00

Oregon	\$0.00	\$0.00
Osage	\$610,500.00	\$12,104.21
Ozark	\$43,000.00	\$43,000.00
Pemiscot	\$2,513,000.00	\$6,500.00
Perry	\$1,613,500.00	\$0.00
Pettis	\$599,000.00	\$0.00
Phelps	\$333,500.00	\$50,000.00
Pike	\$19,500.00	\$0.00
Platte	\$890,000.00	\$22,500.00
Polk	\$507,500.00	\$0.00
Pulaski	\$1,327,500.00	\$17,000.00
Putnam	\$3,000.00	\$0.00
Ralls	\$177,500.00	\$38,326.99
Randolph	\$1,177,000.00	\$10,500.00
Ray	\$2,211,500.00	\$0.00
Reynolds	\$595,500.00	\$1,184.60
Ripley	\$342,500.00	\$0.00
Saline	\$849,500.00	\$0.00
Schuyler	\$449,000.00	\$18,500.00
Scotland	\$757,500.00	\$0.00
Scott	\$1,853,000.00	\$620.44
Shannon	\$287,000.00	\$135,998.71
Shelby	\$6,500.00	\$6,500.00
St. Charles	\$1,361,500.00	\$67,084.06
St. Clair	\$2,012,500.00	\$265.88
St. Francois	\$294,000.00	\$0.00
St. Louis	\$3,260,500.00	\$895,058.73
St. Louis City	\$5,548,000.00	\$149,299.59
Ste. Genevieve	\$0.00	\$0.00
Stoddard	\$1,346,500.00	\$136,084.38
Stone	\$886,022.00	\$88,521.99
Sullivan	\$695,500.00	\$0.00
Taney	\$1,453,500.00	\$8,500.00
Texas	\$1,096,500.00	\$42,500.00
Vernon	\$1,227,000.00	\$12,000.00
Warren	\$10,500.00	\$10,500.00
Washington	\$680,500.00	\$12,000.00
Wayne	\$1,026,000.00	\$852.29

Webster	\$429,000.00	\$0.00
Worth	\$19,000.00	\$0.00
Wright	\$0.00	\$0.00
Grand Total	\$105,253,522.00	\$3,331,032.10

This proposal would result in fewer future fines being assessed. As stated previously, many of these current political subdivisions do not have any sales or use tax collected, so they may be able to avoid the current large penalties.

This proposal also allows for a one-time reduction of a political subdivisions current outstanding balance. Should a political subdivision file its reports by January 1, 2023 they will be entitled to a one-time downward adjustment of their existing fine by 90%.

The current outstanding balance is \$101,922,489.90 (\$105,253,522 - \$3,331,032.10). This is money the Department notes is owed, but most likely uncollectable. Should it be collected it will be forwarded to the local school district fund. If all the fine money is eligible for the one-time reduction this would result in \$94,728,169.80 ($\$105,253,522 * .90$) no longer being owed.

Reducing the future fines would help save the local political subdivisions money however; do to the uncollectability of most of this money the Department assumes no additional impact to the state.

DOR notes if they were to mail the notices to the political subdivisions, DOR could have mailing costs. **Oversight** assumes the mailing costs could be absorbed by the DOR.

Oversight also notes a one-time downward adjustment to any outstanding penalty of a political subdivision can be made by the director of DOR if the director determines the fine is uncollectible.

Oversight does not have any information to the contrary. Oversight notes from OA's response that there are 836 municipalities that have less than 3,500 inhabitants. Oversight is unclear how many of those municipalities currently have penalties assessed by the DOR and how much that total would be for those municipalities. Oversight assumes subsection 9 of the proposal would directly affect both current and future potential fines and will therefore reflect a \$0 or unknown negative fiscal impact to both the General Revenue Fund and Local Political Subdivisions.

Oversight also notes that the decrease in fine revenue pertaining to municipalities with less than 3,500 inhabitants would result in a savings to those local political subdivisions who would no longer need to pay \$500 per day in fine revenue and instead would be subject to fines not to exceed ten percent of the total sales and use tax revenue of the fiscal year for which the annual financial statement was not timely filed. Oversight notes in subsection 10, a municipality with less than 3,500 inhabitants who does not timely file their annual financial statement would have a notice sent to them from the DOR. However, subsection 10(2) still suggests a \$500 per day charge on such municipality. Oversight notes clarifying language should be inserted in

subsection 10(2) regarding these municipalities. Therefore, Oversight will assume that the local political subdivisions will incur a savings from fine revenue of \$0 or a positive unknown and will reflect this detail in the chart below.

In response to the similar proposal, HCS for HB 1633, officials from the **City of Claycomo**, the **City of Kansas City**, the **City of Springfield**, **St. Louis City**, the **Kansas City Board of Elections** and the **Platte County Board of Elections** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a previous version, HCS for HB 1633, officials from the **Office of the State Auditor**, the **Attorney General's Office**, the **Office of the State Courts Administrator**, the **City of O'Fallon**, the **Jackson County Board of Elections** and the **St. Louis County Board of Elections** each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to similar legislation from 2021, HB 1209, officials from the **City of Corder** and the **City of Hughesville** each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a similar proposal (HB 441 from the 2021 session), officials from **Clinton County** assumed the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this county

SA 9 – Modifies Provisions Relating to the Sale of Property to Satisfy Liens of Stored Property

In response to the similar proposal, SB 885 (2022), officials from the **Office of the State Courts Administrator**, the **Attorney General's Office** and the **Office of Administration** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to the similar proposal, SB 885 (2022), officials from the **City of Springfield** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

SA 10 - Disclosure of Personal Information to Public Agencies

In response to similar proposal, SCS for SB 741 (2022), officials from the **Missouri Ethics Commission, Office of the State Public Defender, Missouri Office of Prosecution Services, and Missouri Highway Patrol** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Office of the State Courts Administrator (OSCA)** assumed there may be some impact but there is no way to quantify that currently. Any significant changes will be reflected in future budget requests.

Oversight assumes the OSCA will be able to perform any additional duties required by this proposal with current staff and resources and will reflect no fiscal impact to the OSCA for fiscal note purposes.

In response to the previous version, the **Office of Administration** assumed the proposal will have no fiscal impact on that organization.

In response to similar legislation, HCS for HB 2120 from 2022, officials from the **Attorney General's Office** assumed the proposal will have no fiscal impact on their organization.

Oversight assumes subsection 105.1500.5 of this proposal would allow causes of action against various public agencies throughout the state. If the state is found liable, there may be additional payouts from the State Legal Expense Fund. Oversight assumes an annual fiscal impact from \$0 (no such civil actions brought against the state) to an unknown amount - not likely to exceed \$250,000 – of civil damages payouts.

Therefore, **Oversight** will assume the net fiscal impact to the Legal Expense Fund will be \$0 due to transfers in from General Revenue, Federal Funds, and Other State Funds from various state agencies to offset judgements against the state.

SA 11 - School Contracted Agents Trained by a Nurse to Administer an Epinephrine Auto Syringe

Officials from the **Department of Elementary and Secondary Education** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact in the fiscal note.

Oversight does not anticipate a fiscal impact to school districts. However, Oversight did not receive any responses from school districts related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

SA 12 Sections 260.221 & 644.060 - Recycled Asphalt Shingles (Effective August 28, 2022)

In response to the similar proposal, HB 1720 (2022), officials from the **Department of Natural Resources** assumed the proposal would have no fiscal impact on their organization.

Oversight notes the proposal provides for a clarification language where asphalt shingles shall not be used for such purposes below surface level and closer than fifty feet above the water table.

Oversight notes this is used as clarification of how to properly use asphalt shingles and specifies that they should not be used for such purposes within five hundred feet off any lake, river, sinkhole, perennial stream, or ephemeral stream.

Oversight notes this will not fiscally impact above agency. Therefore, **Oversight** will note zero impact in the fiscal note for above amendments.

Oversight notes that the above mentioned agency has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact on the fiscal note for this section.

SA 13 – Section 137. 115 Personal Property Tax

Officials from the **State Tax Commission** assume the proposed SCS has an unknown fiscal impact. Assessment reductions will impact negatively the revenue for school districts, counties, cities and other taxing jurisdiction who are supported by property taxes in county designated by the restriction. This bill reduces the amount of personal property tax revenues equal to the increase in real property tax revenues so this would eliminate an increase in local revenues until the percentage for personal property assessment reaches zero.

In response to the previous version, officials from **Office of Administration - Budget and Planning (B&P)** assumed this proposal would reduce the assessment percentage for personal property each year, starting with tax year 2023 and ending tax year 2073. B&P notes that the assessment percentage for personal property is currently 33.3%. The reduction in the assessment percentage will be by an amount that would offset increases in assessed valuation of real property each tax year. In other words, the revenues generated under the personal property tax would be reduced by an amount to offset any revenue gains from increased real property values.

B&P notes that the reduction in the assessment percentage must only offset the increase in the real property assessed value, up to the consumer price index (inflation) between the two years. Therefore, if housing prices increased by 7%, but CPI only increased by 2%, the reduction in personal property would offset the 2% inflation limit.

B&P further notes that Section 137.115.1(4) states that the state assessment under Article III, Section 38(b) of the Missouri Constitution shall remain at 33.3%. Article III, Section 38(b) of the Missouri Constitution applies to the Blind Pension Trust Fund and the state property tax levy of

\$0.03 per \$100 valuation. Therefore, this proposal will not impact TSR or the Blind Pension Trust Fund.

B&P notes that under this proposal county assessors would have to maintain two sets of calculations for personal property. One for the reductions on local assessments as required under this proposal and another for the Blind Pension Trust Fund state assessment. B&P defers to local jurisdictions for more specific impacts.

In response to the previous version, officials from the **Department of Social Services** and **Office of the State Auditor** each assumed the proposal would have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Local Political Subdivisions

Oversight assumes this proposal will impact taxing entities in St. Charles County. Oversight assumes his proposal reduces the percentage at which personal property is assessed effectively reducing the assessed value of personal property over time. Oversight notes the revenue growth in property tax is determine by the following method:

Last year’s revenues plus an allowance for growth equal to either:

- Inflation;
- Growth in total assessed value, or;
- 5%, whichever is lower.

Oversight assumes **if** the growth in total assessed value is the lower of the three options, then any reduction in the percentage at which personal property is assessed would reduce the maximum allowed revenue growth (relative to current law). For example:

	Assessed Value Real	Assessed Value PP	Total Assessed Value	Revenue Growth Factor	Maximum Allowed Revenue
Base Year (Assumed)	\$4,250,000,000	\$750,000,000	\$5,000,000,000	-	\$6,240,000
Current Law (Next Year)	\$4,377,500,000	\$772,500,000	\$5,150,000,000	3.0%	\$6,427,200
Next Proposed (Next Year)	\$4,377,500,000	\$702,272,727*	\$5,079,772,727	-1.4%	\$6,240,000

Oversight applied a 3% growth in real and personal property. To calculate the proposed assessed value, Oversight reduced the 33% currently applied to personal property values by the growth in real property (33% - 3% = 30%).

*Using the \$750,000,000 assessed value for personal property, Oversight calculated the full value of personal property:

Full Value of Personal Property $\times .33 = \$750,000,000$
 Full Value of Personal Property $= \$750,000,000 / .33$
 Full Value of Personal Property $= \$2,272,727,273$

Using the full value of personal property, Oversight applied a growth rate of 3% and calculated the different assessed values below.

$\$2,272,727,273 \times 1.03$	\$2,340,909,091	Total PP Value w/Growth
$\$2,340,909,091 \times .33$	\$772,500,000	Assessed Value PP (Current Law)
Or		
$\$2,340,909,091 \times (.33-.03)$	\$702,272,727	Assessed Value PP (Proposed Law)

Oversight notes, in the example above, the proposal functionally eliminates the allowable increase in revenues attributable to growth. Revenues become fixed in time. However, Oversight notes the maximum allowed revenue would be lower than what could have been achieved under current law.

Alternatively, **if** inflation or 5% is the lower option for determining the maximum allowed revenue, the calculation of revenue growth may not be limited by the reduction in assessed personal property. However, **Oversight** notes property tax revenues are designed to be revenue neutral from year to year. The tax rate is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Therefore, this proposal may result in a higher tax rate relative to current law thus distributing more of the tax burden to real property owners (as personal property assessed values decrease).

Oversight notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum or are at a fixed rate. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law), rather it would result in an actual loss of revenue.

Based on a very brief review of maximum authorized tax rates in St. Charles County, most taxing entities appear to be below their maximum authorized tax rates.

Oversight will show a range of impact of \$0 (the tax burden is shifted to real property owners or no growth in real property) to an unknown loss in property tax revenue for taxing entities in St. Charles County.

The next assessment cycle would not occur until calendar year 2023 with impacted revenues occurring in FY 2024 (due in December 2023). **Oversight** will show the impact to taxing entities in St. Charles county beginning in FY 2024.

Oversight notes section 137.115.1(4) requires assessors to continue to assess personal property at 33.3% for purposes of Article III, Section 38(b) of the Missouri Constitution. Therefore, Oversight assumes this proposal will not impact the Blind Pension Fund.

Ultimately, **Oversight** is uncertain how language of the proposal would be applied, but assumes the county could incur some additional costs administering these adjustments (i.e. computer programming changes). In addition, Oversight received a limited number of responses from taxing entities related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek approval to publish a new fiscal note.

Rule Promulgation:

In response to the similar proposal, SB 833 (2022), officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note 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 \$5,000. 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 its 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 SOS is provided with core funding to handle a certain amount of activity each year. **Oversight** assumes SOS could absorb the costs related to this proposal. Therefore, Oversight will reflect zero fiscal impact on the fiscal note for above agency.

<u>FISCAL IMPACT</u> – State Government	FY 2023 (10 Mo.)	FY 2024	FY 2025	Fully Implemented (FY 2026)
GENERAL REVENUE FUND				
<u>Revenue Gain</u> – \$300 Fee Paid to participate in the program (p.25-27) §620.3915.2	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Cost</u> – §620.3915.2 - Reduction in Revenues – various tax not paid (p.25- 27)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost</u> – §620.3915.2 - DOR– FTE necessary to comply with the proposal (p.25-27)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Costs</u> – Sections 620.3900 – 620.3930 - DED FTE (25-27)				
Personnel Service	(\$118,757)	(\$145,358)	(\$148,265)	(\$151,230)
Fringe Benefits	(\$64,469)	(\$78,318)	(\$79,293)	(\$80,879)
Expense & Equipment	(\$17,827)	(\$11,416)	(\$11,644)	(\$11,878)
<u>Total Costs -</u>	(\$201,053)	(\$235,092)	(\$239,202)	(\$243,986)
FTE Change	2 FTE	2 FTE	2 FTE	2 FTE
<u>Revenue Reduction</u> – §143.022 - Reduction in income tax owed by new businesses (p. 5-11)	(\$8,213,618)	(\$25,564,442)	(\$40,660,127)	(\$46,673,200)

<u>Costs</u> - §143.022 – DOR forms & Website Changes (p.8)	(\$14,772)	\$0	\$0	\$0
<u>Costs</u> - §143.022 – DOR new computer tracking (p. 8)	(\$1,000,000)	\$0	\$0	\$0
<u>Costs</u> – DOR p. 8-9				
Personal Service	(\$161,618)	(\$195,881)	(\$197,840)	Could exceed (\$197,840)
Fringe Benefits	(\$111,132)	(\$134,063)	(\$134,775)	Could exceed (\$134,775)
Exp. & Equip.	(\$48,556)	(\$2,455)	(\$2,516)	Could exceed (\$2,516)
<u>Total Costs</u> – DOR	(\$321,306)	(\$332,399)	(\$335,131)	Could exceed (\$335,131)
FTE Changes DOR	5 FTE	5 FTE	5 FTE	5 FTE
<u>Loss</u> – §407.475 DOR – if, with this bill, charitable organizations are no longer required to file certain tax returns	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Revenue Loss - §143.081 Tax Credit for S- Corporation (p. 5-6)	(Unknown – could exceed \$250,000)	(Unknown – could exceed \$250,000)	(Unknown – could exceed \$250,000)	(Unknown – could exceed \$250,000)
Revenue Loss or Gain - §143.436 SALT Parity Act: Entity And Individual Tax Liability Paid p. 19	Minimum Unknown to Minimum (Unknown)	Minimum Unknown to Minimum (Unknown)	Minimum Unknown to Minimum (Unknown)	Minimum Unknown to Minimum (Unknown)
<u>Revenue Loss</u> - §144.030 Modification of	(Unknown)	(Unknown)	(Unknown)	(Unknown)

Farm Equipment Sales Tax Exemption (p.19-20)				
Costs – §620.3800 DED (p. 22)				
Personal Service	(\$36,305)	(\$44,437)	(\$45,326)	(\$46,233)
Fringe Benefits	(\$24,500)	(\$29,692)	(\$29,990)	(\$30,590)
Exp. & Equip.	(\$13,882)	(\$4,178)	(\$4,261)	(\$4,346)
<u>Total Costs – DED</u>	(\$74,687)	(\$78,307)	(\$79,577)	(\$81,169)
<u>FTE Changes DED</u>	1 FTE	1 FTE	1 FTE	1 FTE
SA 2 - Transfer Out – Section 44.032 to Missouri Disaster Fund to now cover rural electric cooperatives (p. 27-28)	\$0 to (Unknown, Greater than \$250,000)	\$0 to (Unknown, Greater than \$250,000)	\$0 to (Unknown, Greater than \$250,000)	\$0 to (Unknown, Greater than \$250,000)
<u>Cost – DPS</u> (§650.570) Distribution of grant monies p. (28-29)	Up to (\$2,500,000)	Up to (\$2,500,000)	Up to (\$2,500,000)	Up to (\$2,500,000)
<u>Cost – DPS</u> (§650.570) Administer new grant program to enhance physical security (28-29)	Up to...	Up to...	Up to...	Up to...
Personal services	(\$35,794)	(\$43,383)	(\$43,816)	(\$44,692)
Fringe benefits	(\$23,488)	(\$28,341)	(\$28,499)	(\$29,069)
Equipment and expense	(\$3,348)	(\$871)	(\$893)	(\$911)
<u>Total cost – DPS</u>	\$0 to (\$62,630)	\$0 to (\$72,595)	\$0 to (\$73,208)	\$0 to (\$74,672)

FTE Change – DPS	1 FTE	1 FTE	1 FTE	1 FTE
<u>SA 6 Reduction in Revenues - Section 137.1620 – Rural Grocery Stores tax credit (p.49-50)</u>	\$0	\$0 Up To (\$25,000,000)	\$0 Up To (\$25,000,000)	\$0 Up To (\$25,000,000)
<u>SA 8 - Loss – DOR – 2% of collection fee on potential fine reduction to municipalities with less than 3,500 inhabitants (§105.145) (p.36-42)</u>	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>SA 8 - Loss – DOR – 2% collection fee that may have been collected if not for the one-time decrease of 90% of the outstanding balance from the local political subdivision if they submit a timely financial statement by 1/01/23 (§105.145) (p.36-42)</u>	\$0 or up to (\$1,834,605)	\$0	\$0	\$0
<u>SA 10 - Cost - Potential increase in payments to Legal Expense Fund for increase in claims §105.1500.5 (p.36-42)</u>	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$10,075,436)</u> to could exceed <u>(\$14,722,671)</u>	<u>(\$26,460,240)</u> to could exceed <u>(\$54,282,835)</u>	<u>(\$41,564,037)</u> to could exceed <u>(\$69,387,245)</u>	<u>(\$47,095,514)</u> to could exceed <u>(\$74,920,186)</u>
SCHOOL DISTRICT TRUST FUND				
Revenue Loss - §144.030 Modification of Farm Equipment Sales Tax Exemption p. 43	(Unknown)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND (0688)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
PARKS AND SOILS STATE SALES TAX FUNDS (0613 & 0614)				
Revenue Loss - §144.030 Modification of Farm Equipment Sales Tax Exemption p. 43	(Unknown)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS (0613 & 0614)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

CONSERVATION COMMISSION FUND (0609)				
Revenue Loss - §144.030 Modification of Farm Equipment Sales Tax Exemption p. 43	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND (0609)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
MISSOURI DISASTER FUND (0663)				
Transfer In – from General Revenue (p. 3)	\$0 to Unknown, Greater than \$250,000	\$0 to Unknown, Greater than \$250,000	\$0 to Unknown, Greater than \$250,000	\$0 to Unknown, Greater than \$250,000
Cost – SEMA (\$44.032) Disaster damages (p. 28)	<u>\$0 to (Unknown, Greater than \$250,000)</u>	<u>\$0 to (Unknown, Greater than \$250,000)</u>	<u>\$0 to (Unknown, Greater than \$250,000)</u>	<u>\$0 to (Unknown, Greater than \$250,000)</u>
ESTIMATED NET EFFECT ON THE MISSOURI DISASTER FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OTHER VARIOUS STATE FUNDS				

<u>SA 10 - Cost - Potential increase in payments to Legal Expense Fund for increase in claims §105.1500.5 (36-42)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
ESTIMATED NET EFFECT TO OTHER VARIOUS STATE FUNDS	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
LEGAL EXPENSE FUND (0692)				
<u>SA 10 - Transfer In - from GR, Federal, and Other State Funds Potential increase in claims (p.43)</u>	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>SA 10 - Transfer Out - payment of discrimination claims §105.1500.5 (p.43)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
ESTIMATED NET EFFECT TO THE LEGAL EXPENSE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
FEDERAL FUNDS				
<u>SA 10 - Various Federal Funds - Potential increase in payments for</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

increase in claims §105.1500.5				
ESTIMATED NET EFFECT TO FEDERAL FUNDS	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

<u>FISCAL IMPACT</u> <u>– Local</u> <u>Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025	Fully Implemented (FY 2026)
LOCAL POLITICAL SUBDIVISIONS				
<u>Savings</u> – on potential fines for certain LPS (§105.145) (p.36)	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Loss</u> – School districts receiving less fine revenue (from savings above) (§105.145) (p.41)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Savings</u> – on fine revenue that is reduced with a one- time reduction of 90% on the outstanding balance due if they submit a timely financial statement by 1/1/23 (§105.145) (p.36- 42)	\$0 or up to \$91,730,241	\$0	\$0	\$0
<u>Loss</u> – School Districts – reduction in fine revenue from one- time adjustment of fine revenue (§105.145) (p.36- 42)	\$0 or up to (\$89,895,636)	\$0	\$0	\$0
<u>SA 10 - Cost</u>				

Potential increase in claims §105.1500.5	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>
<u>SA 13 – Cost - St. Charles County – to administer the changes in assessment from this proposal - §137.115 (p.47)</u>	\$0	(Unknown)	(Unknown)	(Unknown)
<u>SA 13 - Revenue Loss - Taxing Entities in St. Charles County - loss of property tax from reduction in personal property assessed value - §137.115 (p.47)</u>	<u>\$0</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or up to \$1,834,605</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT – Small Business

This proposed legislation could positively impact any small business that qualifies for the various tax credits within the proposal and will have to comply with the proposed laws.

FISCAL DESCRIPTION

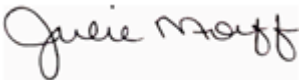
This proposal modifies provisions relating to business entities.

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

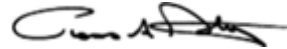
SOURCES OF INFORMATION

L.R. No. 4416S.09A
Bill No. SS for HCS for HB 2587, as amended
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May 12, 2022

Attorney General's Office
Office of Administration – Budget & Planning
Office of Administration – Administrative Hearing Commission
Office of Administration
Missouri Department of Conservation
Department of Natural Resources
Department of Revenue
Missouri Department of Transportation
Joint Committee on Administrative Rules
Office of the Secretary of State
City of Kansas City
City of O'Fallon
City of Springfield
City of Claycomo



Julie Morff
Director
May 12, 2022



Ross Strobe
Assistant Director
May 12, 2022