

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0472S.01I  
 Bill No.: SJR 7  
 Subject: Appropriations; Constitutional Amendments  
 Type: Original  
 Date: January 24, 2023

Bill Summary: This resolution places restrictions on state appropriations.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (Unknown FY)
General Revenue**/**	\$0 or (More than \$10,000,000)*	\$0	\$0 or (\$28,392,563)	\$0 or (\$9,722,165,214)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (More than \$10,000,000)*</b>	<b>\$0</b>	<b>\$0 or (\$28,392,563)</b>	<b>\$0 or (\$9,722,165,214)</b>

\*The potential fiscal impact of “(More than \$10,000,000)” would be realized only if a special election were called by the Governor to submit this joint resolution to voters. SOS has updated the estimated cost of a statewide special election after examining actual reimbursement costs for the General Primary and General Election held during 2022.

\*\* Oversight notes the state individual income tax rate (4.95% in CY 2023) is to be reduced in annual increments (if certain triggers are met) until it reaches 4.5%. This fiscal note reflects the assumptions that the scheduled individual income tax rate reductions will occur and the proposed reductions could begin as early as tax year 2026. If the triggers continue to be met (even with income tax rate eliminations), the joint resolution would eventually (fully implemented) phase-out the state income tax and the state franchise tax.

\*\*\* The potential \$0 fiscal impact starting in FY 2026 represents either the joint resolution not being approved by voters, or the triggers not being met.

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (Unknown FY)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (Unknown FY)
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$0</b>

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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (Unknown FY)
<b>Local Government</b>	<b>\$0*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0 or (\$52,792,665)</b>

\*Transfer out and transfer in net to zero **if** the Governor calls a special election.

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would limit annual appropriations growth to the sum of the annual inflation rate and the annual percentage change in the population of Missouri above the prior fiscal year's appropriated amount.

This proposal would also limit annual net general revenue collections. In fiscal years where net general revenue collections exceed state general revenue appropriations by more than 1%, the lowest state income tax rate will be eliminated. This will occur until there is a single income tax rate. In addition, once there is a single income tax rate, that rate is to be reduced by 0.25% each fiscal year where net general revenues collected are 2.5% or more than the actual total state general revenue appropriation. This rate reduction will occur until there is no longer a state income tax.

For the purposes of this fiscal note, B&P assumes that the elimination of the tax rate will occur for the tax year immediately following the end of each fiscal year where this trigger has been met. B&P further assumes that if approved in November 2024, this proposal would take effect January 1, 2025. Since January 1, 2025 is in the middle of FY25, B&P assumes that the first rate reduction would not occur until January 2026, after FY25 has ended and growth has been determined.

### Bracket Elimination

B&P notes that this proposal would eliminate and then reduce the lowest income tax rate. B&P further notes that there are two income tax rates in Missouri, one for individual income and one for corporate income. The lowest individual income tax rate is 2.0% and the highest rate is currently 4.95% (but scheduled to reduce to 4.5% as revenue growth triggers are met). The corporate income tax rate is a flat 4.0% as of January 1, 2020. B&P assumes that this proposal would eliminate the corporate income tax the same year that the 4.0% individual income tax bracket is eliminated, since the highest income tax rate will remain at 4.5% for individual income.

B&P also notes that under Section 148.720, RSMo, the bank franchise taxes (Sections 148.030, 148.140, and 148.620, RSMo.) shall be reduced by a proportional amount to any reduction in the corporate income tax. Such reduction shall occur in the calendar year in which the corporate tax rate is reduced. Therefore, because this proposal would reduce the corporate tax rate by 100% when the corporate tax is eliminated, this proposal will in turn eliminate the bank franchise taxes at the same time. B&P notes that the current bank franchise tax rate is 4.48% as of January 1, 2020.

Table 1 shows when the elimination of the lowest tax rate will occur by tax type.

Table 1: Lowest Tax Rate Elimination

Tax Year	Individual Income	Corporate Income	Bank Franchise
Proposal Tax Year 1	2.50%	4.00%	4.38%
Proposal Tax Year 2	3.00%	4.00%	4.38%
Proposal Tax Year 3	3.50%	4.00%	4.38%
Proposal Tax Year 4	4.00%	4.00%	4.38%
Proposal Tax Year 5	4.50%	0.00%	0.00%

\*Section 148.720 requires the bank franchise tax rate to be reduced in a proportional amount to any reduction in the corporate income tax rate.

Individual Income Tax

Based on current revenue forecasts and average revenue growth, B&P estimates that revenues in FY23, FY25, FY26, and FY27 will reach the SB 3 (2022) growth trigger requirement for reductions to the top rate of tax. Therefore, the top rate of tax is estimated to be reduced in tax years 2024, 2026, 2027, and 2028 under SB 3 (2022). Table 2 shows the top and bottom individual income tax rates under this proposal, by tax year.

Table 2: Proposed Top and Bottom Individual Income Tax Rates

Tax Year	Bottom Tax Rate	Top Tax Rate	Tax Year	Bottom Tax Rate	Top Tax Rate
Tax Year 2024*	2.00%	4.80%	Proposal Tax Year 12	2.75%	
Tax Year 2025	2.00%	4.80%	Proposal Tax Year 13	2.50%	
Proposal Tax Year 1*	2.50%	4.70%	Proposal Tax Year 14	2.25%	
Proposal Tax Year 2*	3.00%	4.60%	Proposal Tax Year 15	2.00%	
Proposal Tax Year 3*	3.50%	4.50%	Proposal Tax Year 16	1.75%	
Proposal Tax Year 4	4.00%	4.50%	Proposal Tax Year 17	1.50%	
Proposal Tax Year 5	4.50%	4.50%	Proposal Tax Year 18	1.25%	
Proposal Tax Year 6	4.25%		Proposal Tax Year 19	1.00%	
Proposal Tax Year 7	4.00%		Proposal Tax Year 20	0.75%	
Proposal Tax Year 8	3.75%		Proposal Tax Year 21	0.50%	
Proposal Tax Year 9	3.50%		Proposal Tax Year 22	0.25%	
Proposal Tax Year 10	3.25%		Proposal Tax Year 23	0.00%	
Proposal Tax Year 11	3.00%				

\*Assumes that growth triggers for SB 3 (2022) are met.

B&P estimates that this proposal could begin as early as tax year 2026 and, if triggered each subsequent year, would fully phase-out the state income tax by tax year 2048. B&P estimates, based on tax year 2020 data, that this proposal would reduce general and total state revenues in the following amounts by tax year.

Table 3: Individual Income Tax Reduction by Tax Year

Tax Year	Loss to GR	Tax Year	Loss to GR
Tax Year 1	(\$67,970,909)	Tax Year 13	(\$2,804,904,443)
Tax Year 2	(\$152,508,961)	Tax Year 14	(\$3,079,667,614)
Tax Year 3	(\$254,792,339)	Tax Year 15	(\$3,356,779,134)
Tax Year 4	(\$376,033,101)	Tax Year 16	(\$3,626,428,955)
Tax Year 5	(\$514,734,732)	Tax Year 17	(\$3,896,023,901)
Tax Year 6	(\$802,578,617)	Tax Year 18	(\$4,167,440,125)
Tax Year 7	(\$1,096,200,275)	Tax Year 19	(\$4,431,511,928)
Tax Year 8	(\$1,385,108,155)	Tax Year 20	(\$4,692,289,503)
Tax Year 9	(\$1,676,645,102)	Tax Year 21	(\$4,952,753,854)
Tax Year 10	(\$1,961,020,950)	Tax Year 22	(\$5,209,881,031)
Tax Year 11	(\$2,245,349,073)	Tax Year 23	(\$9,010,025,137)
Tax Year 12	(\$2,527,637,600)		

If the first tax rate elimination were to occur in tax year 2026, taxpayers would adjust withholdings and declarations beginning in January 2026. This proposal could reduce general and total state revenues in FY26 by an estimated \$28.5M. When fully phased-in the proposal could reduce general and total state revenues by an amount greater than \$9.01 billion.

Table 4: Individual Income Tax Reduction by Fiscal Year

Fiscal Year	Loss to GR	Fiscal Year	Loss to GR
FY 1	(\$28,547,782)	FY 13	(\$2,644,089,674)
FY 2	(\$103,476,891)	FY 14	(\$2,920,304,975)
FY 3	(\$195,467,980)	FY 15	(\$3,196,054,452)
FY 4	(\$305,713,459)	FY 16	(\$3,470,032,059)
FY 5	(\$434,287,786)	FY 17	(\$3,739,658,832)
FY 6	(\$635,629,164)	FY 18	(\$4,010,018,715)
FY 7	(\$925,899,713)	FY 19	(\$4,278,350,283)
FY 8	(\$1,217,541,585)	FY 20	(\$4,541,038,510)
FY 9	(\$1,507,553,673)	FY 21	(\$4,801,684,531)
FY 10	(\$1,796,082,958)	FY 22	(\$5,060,747,269)

FY 11	(\$2,080,438,762)	FY 23	(\$6,805,941,556)
FY 12	(\$2,363,910,254)	FY 24	(\$9,010,025,137)

B&P notes that this proposal would be effective January 1, 2026, but tax year 2020 data is the most recent available for analysis. The actual revenue impacts may be substantially different due to the five-year difference

Corporate Income Tax

B&P estimates that this proposal could eliminate the corporate income tax as early as tax year 2030. In FY22, net corporate tax collections were \$711,062,676 at a tax rate of 4.0%.

Therefore, B&P estimates that this proposal will reduce GR by \$711,062,676 beginning as early tax year 2030. However, because this proposal would take effect January 1, corporations would adjust their declarations payments during FY30. Based on historic remittance patterns, B&P notes that corporate income tax collections are split approximately 50/50 between fiscal years.

Therefore, this proposal could reduce GR by \$355,531,338 in FY30. Once fully implemented, this proposal could reduce GR by \$711,062,676 annually starting in FY31.

Bank Franchise Tax

B&P estimates that this proposal could eliminate the bank franchise tax as early as tax year 2030, when the corporate income tax is eliminated. Per Section 148.720, RSMo, the bank franchise tax must be reduced in a proportional amount to the reduction in the corporate income tax rate. This proposal would reduce the corporate income tax rate by 100%; therefore, it would also reduce the bank franchise tax by 100%.

B&P notes that the financial institution tax is paid annually in the fiscal year following the end of a calendar year. In FY22, financial institutions tax collections were \$53,870,066 at a tax rate of 4.48%.

B&P further notes that the financial institutions tax is distributed to GR (2%) and local funds (98%) on an annual basis and that tax payments for tax year 1 are distributed in FY2. For example: tax payments for 2030 will be collected and distributed during FY31. Table 5 shows the estimated impact of eliminating the corporate income and bank franchise taxes.

Table 5: State and Local Impact from Corporate Rate Reduction

	<u>Proposal FY 5</u>	<u>Proposal FY 6+</u>
<u>State Impact</u>		
Corporate Tax Rate Reduction	(\$355,531,338)	(\$711,062,676)
Financial Institutions Tax Rate Reduction	\$0	(\$1,077,401)
Total GR Loss	(\$355,531,338)	(\$712,140,077)

<u>Local Impact</u>	<u>Proposal FY 4</u>	<u>Proposal FY 5+</u>
Financial Institutions Tax Rate Reduction	\$0	(\$52,792,665)

Summary

B&P estimates that in the first year of implementation, this proposal could reduce GR by \$68.0 million. Once fully implemented, this proposal could reduce GR by an amount greater than \$9.72 billion annually. Tables 6 and 7 show the estimated impact by calendar and fiscal year.

B&P notes that this proposal could impact the level of state services that can be provided as a result of the caps it imposes on general revenue appropriations and net general revenue collections. This limit applies only to general revenue and not appropriations made from other dedicated funds; this could lead to the creation of numerous dedicated funds to circumvent the legislation’s intent.

Table 6: Summary by Tax Year

Tax Year	Loss to GR	Tax Year	Loss to GR
Tax Year 1	(\$67,970,909)	Tax Year 13	(\$3,517,044,520)
Tax Year 2	(\$152,508,961)	Tax Year 14	(\$3,791,807,691)
Tax Year 3	(\$254,792,339)	Tax Year 15	(\$4,068,919,211)
Tax Year 4	(\$376,033,101)	Tax Year 16	(\$4,338,569,032)
Tax Year 5	(\$1,226,874,809)	Tax Year 17	(\$4,608,163,978)
Tax Year 6	(\$1,514,718,694)	Tax Year 18	(\$4,879,580,202)
Tax Year 7	(\$1,808,340,352)	Tax Year 19	(\$5,143,652,005)
Tax Year 8	(\$2,097,248,232)	Tax Year 20	(\$5,404,429,580)
Tax Year 9	(\$2,388,785,179)	Tax Year 21	(\$5,664,893,931)
Tax Year 10	(\$2,673,161,027)	Tax Year 22	(\$5,922,021,108)
Tax Year 11	(\$2,957,489,150)	Tax Year 23	(\$9,722,165,214)
Tax Year 12	(\$3,239,777,677)		

Table 7: Summary by Fiscal Year

Fiscal Year	Loss to GR	Fiscal Year	Loss to GR
FY 1	(\$28,547,782)	FY 13	(\$3,356,229,751)
FY 2	(\$103,476,891)	FY 14	(\$3,632,445,052)
FY 3	(\$195,467,980)	FY 15	(\$3,908,194,529)
FY 4	(\$305,713,459)	FY 16	(\$4,182,172,136)
FY 5	(\$789,819,124)	FY 17	(\$4,451,798,909)

FY 6	(\$1,347,769,241)	FY 18	(\$4,722,158,792)
FY 7	(\$1,638,039,790)	FY 19	(\$4,990,490,360)
FY 8	(\$1,929,681,662)	FY 20	(\$5,253,178,587)
FY 9	(\$2,219,693,750)	FY 21	(\$5,513,824,608)
FY 10	(\$2,508,223,035)	FY 22	(\$5,772,887,346)
FY 11	(\$2,792,578,839)	FY 23	(\$7,518,081,633)
FY 12	(\$3,076,050,331)	FY 24	(\$9,722,165,214)

Officials from the **Office of Administration** defer to the **Office of Administration - Budget and Planning** for the potential fiscal impact of this proposal.

Officials from the **Department of Revenue (DOR)** note this constitutional amendment would go to the voters in November 2024. If adopted, this would allow in any fiscal year in which net general revenue appropriations exceed total state general revenue appropriations by more than one percent of total state general revenue appropriations allowed, there shall be a permanent elimination of the lowest state income tax rate.

SB 3 (2022) set the individual income tax rate at 4.95% starting January 1, 2023. SB 3 then allowed four additional reductions, based on revenue growth, bringing the individual income tax rate to 4.5%. Based on the projected revenue forecast it is assumed that the rate for FY 2024 will be 4.8% and it will remain that rate for FY 2025. For fiscal note purposes only, DOR will assume that these SB 3 reductions will occur in consecutive years, starting in FY 2026.

This proposal also states that for each fiscal year after the fiscal year in which the last state income tax rate elimination is made the commissioner of administration shall record the amount by which net general revenue collections exceeds total state general revenue appropriations. When the amount recorded exceeds two and one-half percent of the total state general revenue appropriations, the top rate of state income tax shall be reduced by one-quarter of one percent.

The estimated new rates per this proposal.

Table 1: Estimated New Rates

Tax Year	Bottom Tax Rate	Top Tax Rate	Tax Year	Bottom Rate	Top Rate
Tax Year 2023	2.00%	4.95%	Proposal Year 11	3.00%	
Tax Year 2024	2.00%	4.80%	Proposal Year 12	2.75%	
Tax Year 2025	2.00%	4.80%	Proposal Year 13	2.50%	
Proposal Year 1	2.50%	4.70%	Proposal Year 14	2.25%	

Proposal Year 2	3.00%	4.60%	Proposal Year 15	2.00%
Proposal Year 3	3.50%	4.50%	Proposal Year 16	1.75%
Proposal Year 4	4.00%	4.50%	Proposal Year 17	1.50%
Proposal Year 5	4.50%		Proposal Year 18	1.25%
Proposal Year 6	4.25%		Proposal Year 19	1.00%
Proposal Year 7	4.00%		Proposal Year 20	0.75%
Proposal Year 8	3.75%		Proposal Year 21	0.50%
Proposal Year 9	3.50%		Proposal Year 22	0.25%
Proposal Year 10	3.25%		Proposal Year 23	0.00%

This proposal states “there shall be a permanent elimination of the lowest state income tax rate”. The Department notes this would impact both the individual income tax rate as well as the corporate income tax rate. The corporate rate is currently set at 4% and FY 2022 collections were \$711,062,676. Since this proposal is unclear as to when the corporate rate reduction would occur, for fiscal notes purposes, the Department assumes it will be eliminated in tax year 2030 (FY 2031) when the income tax rate’s bottom rate of 4% is eliminated.

With the elimination of the corporate income tax rate the Bank Franchise tax rate would also be eliminated. Per Section 143.071 the bank franchise rate is decreased in the same proportion as the corporate rate. With the elimination of the corporate rate this would in turn, eliminate the bank franchise rate. The current FY 22 bank franchise tax collections was \$53,870,066. The bank franchise tax is distributed 2% to general revenue and 98% to local political subdivisions. This is expected to be a loss to general revenue of \$1,077,401 starting in FY 2031.

DOR assumes for fiscal note purposes that this proposal would trigger the rate reduction in consecutive years. Using the Department’s internal Income Tax Model that contains confidential taxpayer data, DOR calculated the loss to General Revenue.

Table 2: Income Tax Reductions by Tax Year

Tax Year	Loss to GR	Tax Year	Loss to GR
Tax Year 1	(\$67,601,340)	Tax Year 13	(\$2,762,341,215)
Tax Year 2	(\$151,588,215)	Tax Year 14	(\$3,032,171,923)
Tax Year 3	(\$253,216,644)	Tax Year 15	(\$3,304,337,503)
Tax Year 4	(\$373,859,686)	Tax Year 16	(\$3,569,078,217)

Tax Year 5	(\$512,003,193)	Tax Year 17	(\$3,833,753,234)
Tax Year 6	(\$794,861,918)	Tax Year 18	(\$4,100,261,406)
Tax Year 7	(\$1,083,470,202)	Tax Year 19	(\$4,359,452,321)
Tax Year 8	(\$1,367,421,179)	Tax Year 20	(\$4,615,364,677)
Tax Year 9	(\$1,653,948,895)	Tax Year 21	(\$4,870,958,400)
Tax Year 10	(\$1,933,358,093)	Tax Year 22	(\$5,123,229,007)
Tax Year 11	(\$2,212,706,052)	Tax Year 23	(\$9,010,025,137)
Tax Year 12	(\$2,490,027,310)		

The Department uses a 42%/58% split to convert tax year data to fiscal year data.

Table 3: Income Tax Reductions by Fiscal Year

Tax Year	Loss to GR	Tax Year	Loss to GR
Fiscal Year 1	(\$28,392,563)	Fiscal Year 13	(\$2,604,399,150)
Fiscal Year 2	(\$102,875,828)	Fiscal Year 14	(\$2,875,670,112)
Fiscal Year 3	(\$194,272,155)	Fiscal Year 15	(\$3,146,481,467)
Fiscal Year 4	(\$303,886,722)	Fiscal Year 16	(\$3,415,528,603)
Fiscal Year 5	(\$431,879,959)	Fiscal Year 17	(\$3,680,241,724)
Fiscal Year 6	(\$630,803,858)	Fiscal Year 18	(\$3,945,686,666)
Fiscal Year 7	(\$916,077,398)	Fiscal Year 19	(\$4,209,121,590)
Fiscal Year 8	(\$1,202,729,613)	Fiscal Year 20	(\$4,466,935,510)
Fiscal Year 9	(\$1,487,762,820)	Fiscal Year 21	(\$4,722,714,041)
Fiscal Year 10	(\$1,771,300,758)	Fiscal Year 22	(\$4,976,912,055)
Fiscal Year 11	(\$2,050,684,236)	Fiscal Year 23	(\$6,755,683,382)
Fiscal Year 12	(\$2,329,180,980)	Fiscal Year 24	(\$9,010,025,137)

Adding the additional loss from the corporate and bank franchise tax elimination would result in a loss per fiscal year:

Table 5: Summary by Fiscal Year

Tax Year	Loss to GR	Tax Year	Loss to GR
FY 26	(\$28,392,563)	FY 38	(\$3,316,539,227)
FY 27	(\$102,875,828)	FY 39	(\$3,587,810,190)
FY 28	(\$194,272,155)	FY 40	(\$3,858,621,544)
FY 29	(\$303,886,722)	FY 41	(\$4,127,668,680)
FY 30	(\$787,411,297)	FY 42	(\$4,392,381,801)
FY 31	(\$1,342,943,935)	FY 43	(\$4,657,826,744)
FY 32	(\$1,628,217,475)	FY 44	(\$4,921,261,667)

FY 33	(\$1,914,869,690)	FY 45	(\$5,179,075,588)
FY 34	(\$2,199,902,897)	FY 46	(\$5,434,854,118)
FY 35	(\$2,483,440,835)	FY 47	(\$5,689,052,132)
FY 36	(\$2,762,824,313)	FY 48	(\$7,467,823,459)
FY 37	(\$3,041,321,057)	FY 49	(\$9,722,165,214)

If this proposal is adopted, then it would result in DOR needing to potential update the tax rates annually. DOR assumes that BAP would do the calculations to determine when the rates would need to be lowered. Each year the rates would change would require DOR to update their forms, website and individual income tax computer system. Currently, the cost to make changes like this is \$7,193.

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

**Oversight** will reflect B&P's and DOR's fully implemented amounts (complete elimination of the individual income tax, corporate income tax and the bank franchise tax) as occurring in an unknown future fiscal year. Oversight assumes this full implementation may never occur.

Officials from **Office of the Secretary of State** assume, each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, section 115.063.2 RSMo requires the state to pay the costs. The cost of the special election has been estimated to be \$10 million based on the cost of the 2022 primary and general election reimbursements.

The Secretary of State's office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

For the FY24 petitions cycle, the SOS estimates publication costs at \$70,000 per page. This amount is subject to change based on number of petitions received, length of those petitions and rates charged by newspaper publishers.

The Secretary of State's office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, the SOS reserves the right to request funding to meet the cost of the publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

**Oversight** has reflected, in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2024. This reflects the decision made by the Joint Committee on Legislative Research that the cost of the elections should be shown in the fiscal note. The next scheduled statewide primary election is in August 2024 and the next scheduled general election is in November 2024 (both in FY 2025). It is assumed the subject within this proposal could be on one of these ballots; however, it could also be on a special election called for by the Governor (a different date). Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2024.

**Oversight** notes that both the Department of Revenue and the Office of Administration - Budget and Planning assume that if approved by voters in November 2024, this amendment would have a direct fiscal impact on state revenues. Oversight does not have any information to the contrary. Therefore, Oversight will reflect DOR's and B&P's estimated impact (pending voter approval) in the fiscal note beginning in FY2026.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (Unknown FY)
<b>GENERAL REVENUE</b>				
<u>Transfer Out - SOS - reimbursement of local election authority election costs if a special election is called by the Governor</u>	\$0 or (More than \$10,000,000)*	\$0	\$0	\$0
<u>Revenue Reduction – Changes to Individual Income Tax - (Pending voter approval)</u>	\$0	\$0	\$0 or (\$28,392,563)	\$0 or (\$9,010,025,137)
<u>Revenue Reduction – Changes to Corporate Income Tax - (Pending voter approval)</u>	\$0	\$0	\$0	\$0 or (\$711,062,676)
<u>FISCAL IMPACT – State Government (continued)</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (Unknown FY)
<u>Revenue Reduction – Changes to Bank Franchise Tax - (Pending voter approval)</u>	\$0	\$0	\$0	\$0 or (\$1,077,401)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0 or (More than \$10,000,000)*</u></b>	<b><u>\$0</u></b>	<b><u>\$0 or (\$28,392,563)</u></b>	<b><u>\$0 or (\$9,722,165,214)</u></b>

\*SOS has updated the estimated cost of a statewide special election after examining actual reimbursement costs for the General Primary and General Election held during 2022.

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (Unknown FY)
<b>LOCAL POLITICAL SUBDIVISIONS</b>				
<u>Transfer In - Local Election Authorities - reimbursement of election costs by the State for a special election</u>	\$0 or More than \$10,000,000*	\$0	\$0	\$0
<u>Costs - Local Election Authorities - cost of a special election if called for by the Governor</u>	\$0 or (More than \$10,000,000)*	\$0	\$0	\$0
<u>Revenue Reduction – Decrease of financial institutions tax - (Pending voter approval)</u>	\$0	\$0	\$0	\$0 or (\$52,792,665)
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0 or (\$52,792,665)</b>

\*SOS has updated the estimated cost of a statewide special election after examining actual reimbursement costs for the General Primary and General Election held during 2022.

#### FISCAL IMPACT – Small Business

This proposed legislation could positively impact any small business that is obligated to pay Corporate Income Tax or Bank Franchise Tax, as such small business would pay a reduced amount of such tax(es).

#### FISCAL DESCRIPTION

This constitutional amendment, if approved by the voters, prohibits total state general revenue appropriations for any fiscal year, as defined in the amendment, from exceeding the level from the previous fiscal year, allowing for growth in an amount equal to the annual rate of inflation plus the annual percentage change in state population. Total state general revenue appropriations

may exceed the previous fiscal year's amount only under certain conditions, as described in the amendment.

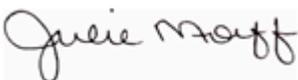
For any fiscal year in which net general revenue collections exceed total state general revenue appropriations by more than one percent of allowable total state general revenue appropriations, the lowest state income tax rate in effect shall be permanently eliminated. Such elimination shall not occur if there is a single income tax rate in effect.

For each fiscal year after the fiscal year in which the final rate elimination has occurred, the Commissioner of Administration shall record the amount by which net general revenue collections exceed total state general revenue appropriations. When the amount recorded exceeds total state general revenue appropriations by two and one-half percent, the top state income tax rate shall be reduced by one-quarter of one percent. The Commissioner of Administration shall perform this calculation and rate reduction beginning in each fiscal year following a fiscal year in which a rate reduction occurs until the top state income tax rate is eliminated.

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

Office of Administration - Budget and Planning  
Department of Revenue  
Office of Administration  
Office of the Secretary of State  
Office of Legislative Research



Julie Morff  
Director  
January 24, 2023



Ross Strobe  
Assistant Director  
January 24, 2023