

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2297S.03C
 Bill No.: SCS for HB 1067
 Subject: Licenses - Motor Vehicle; Department of Revenue; Disabilities; Veterans;
 Military Affairs; National Guard; Medical Procedures and Personnel; Taxation
 and Revenue - Income; Suicide
 Type: Original
 Date: May 4, 2023

Bill Summary: This proposal enacts provisions relating to military affairs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue	(Unknown)	(Unknown)	(Unknown)

***Oversight** notes that based on information provided by the DOR, the majority of military signing bonuses included in this proposal should be included under the existing income tax deductions. Therefore, Oversight assumes the fiscal impact to the General Revenue Fund would not reach the \$250,000 threshold.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Veterans Commission Capital Improvement Trust Fund (0304)	Less than (\$211,595)	Less than (\$239,269)	Less than (\$242,282)
Total Estimated Net Effect on <u>Other</u> State Funds	Less than (\$211,595)	Less than (\$239,269)	Less than (\$242,282)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Veterans Commission Capital Improvement Trust Fund (0304)	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 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 2024	FY 2025	FY 2026
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§41.092 – COVID-19 Vaccine for National Guard Members

In response to a similar proposal from 2023 (SB 542), officials from the **Missouri National Guard** and the **Office of the Governor** assumed the proposal would 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.

§42.022 – Commander John Scott Hannon Veterans Mental Health Care Improvement Act of 2019

In response to a similar proposal from 2023 (HB 132), officials from the **Department of Public Safety - Missouri Veterans Commission (MVC)** stated this proposal would require one (1) FTE Program Manager to oversee the statewide policy development, implementation, and operation of veteran suicide prevention, awareness, and education. This includes coordinating with the Department of Veterans Affairs (VA), state agencies and community programs ensuring the stakeholders have access to timely, quality services. This position will administer national grants and represent the MVC as a subject matter expert on a national platform to inform program policy. The program will utilize data analysis to develop strategies to decrease veteran suicide in this state.

Oversight notes in response to HB 2455 (2022), the MVC requested one (1) Special Assistant. However, after further discussion, the MVC determined the skillset of a Program Manager (instead of a Special Assistant) would better suit the in-depth nature of this new program. Additionally, the MVC will utilize the Veterans Commission Capital Improvement Trust Fund (0304) instead of the Missouri Veterans Home Fund (0406) as provided in HB 2455 for the costs associated with this proposal.

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

In response to a similar proposal from 2023 (HB 132), officials from the **Department of Mental Health**, the **Department of Public Safety – Office of the Director**, the **Missouri National Guard**, the **Missouri House of Representatives**, and the **Missouri Senate** 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.

§42.312 – Operation Enduring Freedom, Operation Freedom’s Sentinel and Operation Allies Refuge Program

In response to a similar proposal from 2023 (HB 836), officials from the **Missouri National Guard (MNG)** stated with an estimated 73,000 active and registered veterans, HB 836 will have an approximate \$1,000 - \$1,095,000 fiscal impact to the Veterans Recognition program, which is funded by the Veterans Commission Capital Improvement Trust Fund, depending on the number of approved applicants. The estimated cost per medal and postage is \$15.

Listed below are the number of medals awarded to the following programs:

- 2000 – WWII medals awarded 18,554 since inception
- 2003 – Korean War medals awarded 31,524 since inception
- 2006 – Vietnam War medals awarded 47,038 since inception
- 2019 – Operation Desert Storm/Desert Shield and Operation Iraqi Freedom/New Dawn medals awarded 931 since inception

Oversight contacted the MNG to inquire how many personnel deployed to Operation Enduring Freedom, Operation Freedom’s Sentinel, and Operation Allies Refuge Program. However, Oversight has not received that information yet. Therefore, using MNG’s estimate of 73,000 current Missouri veterans, Oversight will assume approximately 40 percent of those served during this timeframe (10/7/2001 – 8/30/2021). Oversight also assumes approximately half or 14,600 ($73,000 * .40 * .50$) service members and registered veterans will apply for the medal. $14,600 \times \$15 = \$219,000$

Based on the implementation of other similar programs, Oversight will reflect this cost spread over the three years ($\$219,000 / 3 = \$73,000$) of the fiscal note to the Veterans Commission Capital Improvement Trust Fund. Oversight notes the ending balance in the Veterans Commission Capital Improvement Trust Fund (0304) as of March 31, 2023, is \$31,649,894.

In response to a similar proposal from 2023 (HB 836), officials from the **Office of Administration** assumed the proposal would 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 OA.

In response to a similar proposal from 2023 (HB 836), officials from the **Department of Public Safety – Missouri Veterans Commission** deferred to the **Missouri National Guard** for the potential fiscal impact of this proposal.

§§143.174 & 143.175 – Income Tax Deduction for Members of the Armed Forces

In response to a similar proposal from 2023 (SB 540), officials from the **Department of Revenue (DOR)** noted members of the military can deduct 100% of the income they receive as salary or compensation if that income is taxable at the federal level from the calculation of their Missouri adjusted gross income. This is the military income deduction. Additionally, they can receive the deduction for income received from certain training programs. This proposal is adding to this Missouri military income deduction income they receive from signing bonuses.

The Department found that the military does issue signing bonuses to soldiers based on their branch of service, length of enlistment and specific job specialties. The more specialized the job, the more likely to be issued a signing bonus. DOR also found that signing bonuses are often paid out over a number of years rather than a single lump sum.

The federal government designates certain military pay and benefits as taxable. Information found by the Department indicates that all income received by members of the military serving in a combat zone is tax free at the federal level, which includes their signing bonuses. Additionally, depending on their rank a portion of non-combat pay may be tax exempt.

The Department notes that while Missouri is home to Whiteman Air Force Base, Fort Leonard Wood, and Fort Crowder, DOR is unable to determine how many of the soldiers stationed there are eligible for signing bonuses. DOR is also not able to determine how many of them actually file returns as a Missouri resident.

The Department is unable to locate any single source that can show how much is paid to soldiers filing Missouri individual income tax returns and the amount of signing bonuses they receive that would be taxable. DOR assumes that should a soldier filing a Missouri return receive a taxable signing bonus, they would qualify for this deduction and that income would be excluded from tax per this proposal. DOR notes this proposal could result in an unknown loss to general revenue but assume it would be minimal.

In response to a similar proposal from 2023 (SB 540), officials from the **Office of Administration - Budget and Planning (B&P)** noted this proposal clarifies that military signing bonuses are to be included within the definition of “compensation” for both active duty and, reserve duty, and National Guard income tax exemptions. B&P further notes that based on information provided by DOR, the majority of such bonuses should already be included under the existing income tax deductions.

Therefore, if this proposal extends the deductions to additional bonuses not already excluded, this proposal could result in an unknown, likely minimal, loss to TSR and GR.

In response to a similar proposal from 2023 (SB 540), officials from the **Missouri National Guard** assumed the proposal would have no fiscal impact on their organization. **Oversight** does not have any information to the contrary.

§§301.3061 – Missouri Disabled American Veterans License Plates

Officials from the **Department of Revenue (DOR)** assume the following regarding this proposal:

Administrative Impact

It is assumed that by removing the layout restrictions that the Disabled Veterans organization is going to redesign the plate.

It is assumed that the release of the new plate would start with the sale to new customers and give current Disabled Vets the ability to surrender old configuration for the new one.

To implement the proposed changes, the Department will be required to:

- Update procedures, correspondence letters, forms, and the Department website;
- Update the Missouri Titling manual;
- Send communications to stakeholders as applicable; and
- Train Staff.

FY 2024 – Motor Vehicle Bureau

Lead Administrative Support Assistant 10 hrs. @ 17.05 per hr. = \$170
Research/Data Assistant 60 hrs. @ \$24.84 per hr. = \$1,490
Administrative Manager 20 hrs. @ \$26.96 per hr. = \$540

FY 2024 – Strategy and Communications Office

Associate Research/Data Analyst 10 hrs. @ \$19.90 per hr. = \$199
Associate Research/Data Analyst 20 hrs. @ \$19.90 per hr. = \$398

Total Costs = **\$2,797**

The Department anticipates that it will be able to absorb these costs. If multiple bills are passed that require Department resources, FTE may be requested through the appropriations process.

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

Officials from the **Missouri Department of Transportation** 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 for this section.

Rule Promulgation

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.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE			
<u>Revenue Reduction</u> (§§143.174 & 143.175) - Military Signing Bonus Income Tax Deduction p. 5	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT – State Government</u> (continued)	FY 2024 (10 Mo.)	FY 2025	FY 2026

VETERANS COMMISSION CAPITAL IMPROVEMENTS TRUST FUND (0304)			
Cost – MVC (§42.022) p. 3			
Personal service	(\$66,667)	(\$81,600)	(\$83,232)
Fringe benefits	(\$37,928)	(\$46,113)	(\$46,723)
Equipment and expense	(\$2,500)	\$0	\$0
Travel/Education/Conferences	(\$31,500)	(\$38,556)	(\$39,327)
Total cost – MVC	(\$138,595)	(\$166,269)	(\$169,282)
FTE Change – MVC	1 FTE	1 FTE	1 FTE
Cost – MNG (§43.212) New medallion program p. 4	<u>Less than (\$73,000)</u>	<u>Less than (\$73,000)</u>	<u>Less than (\$73,000)</u>
ESTIMATED NET EFFECT ON THE VETERANS COMMISSION CAPITAL IMPROVEMENTS TRUST FUND	<u>Less than (\$211,595)</u>	<u>Less than (\$239,269)</u>	<u>Less than (\$242,282)</u>
Estimated Net FTE Change for the Veterans Commission Capital Improvement Fund	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

The proposed legislation enacts provisions related to military affairs.

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

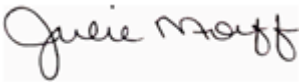
SOURCES OF INFORMATION

Department of Revenue

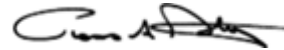
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Missouri Department of Transportation
Missouri National Guard
Office of the Governor
Department of Mental Health
Department of Public Safety
Joint Committee on Administrative Rules
Missouri House of Representatives
Missouri Senate
Office of the Secretary of State
Office of Administration - Budget and Planning



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