

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1836-01
Bill No.: SB 453
Subject: Employees - Employers; Revenue Dept.; Taxation and Revenue - General and Income
Type: Original
Date: February 19, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$43,607)	(\$66,970,575)	(\$66,970,575)
Total Estimated Net Effect on <u>All</u> State Funds	(\$43,607)	(\$66,970,575)	(\$66,970,575)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

In a similar prior proposal, **Department of Revenue (DOR)** officials stated this legislation authorizes a tax credit equal to 50% of the maternity leave wages paid by the employer for the first six months of paid maternity leave per employee, to the extent the wages are not already deducted from the employers federal adjusted gross income. The tax credit is refundable, but cannot be carried forward or transferred.

The number of taxpayers eligible for this credit is unknown at this time. The Division of Taxation will need one Tax Processing Technician I for every 2,000 new credits claimed per year for processing, and one Tax Season Temporary for every 260,000 credits claimed per year for key entry. Also, one Tax Processing Technician I will be needed for every 30,000 additional individual income tax errors and one Tax Processing Technician I for every additional 3,000 pieces of correspondence received relating to this legislation.

This legislation will require modifications to the income tax system and credit application system. The Division of Taxation estimated these modifications, including programming changes, will require 1,384 hours of contract labor at a cost of \$41,617. Modifications to the income tax return and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs and \$1,867 will be needed for on-going costs.

Oversight assumes DOR would require 692 hours of overtime at a cost of \$34,600 for modifications to the income tax system. Oversight also estimates that funding for State Data Center charges would be \$9,007 for additional storage and fields to be captured.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** state their office was unable to locate any empirical data to estimate the fiscal impact of this proposal.

According to the 1999 Statistical Abstract of the United States, Table no. 119, for 1995 there were 34,958,000 women who had a live birth. Of those women 52% were employed. Of the women employed 37.3% took maternity leave. According to the Bureau of Labor Statistics Monthly Report for Nov. 1999 on Missouri hour and Earnings report for non-farming employment, private sector employment is equivalent to 84% of total employment. A survey from the Society for Human Resource Management reported that paid maternity leave benefits climbed to 49 percent of employers. The survey was published in the CFO, Aug.99, Vol. 15 Issue 8, p 14.

ASSUMPTION (continued)

Oversight assumes 2% of 2,790,834 represents the Missouri portion of women taking paid maternity leave. Based on information received from the Department of Economic Development, Labor Market Information Section, the average weekly pay for private sector employees in Missouri is \$561.74. Oversight assumes that women receive approximately 75 cents on the dollar compared to men. Therefore Oversight used 75% of \$561.74 (\$421). Oversight assumes paid maternity leave would be for 6 weeks and has reflected fifty percent of that amount to estimate the revenue impact of this proposal. Based on the information above, Oversight has calculated the revenue impact of this proposal as follows:

34,958,000 mothers x 52% employed =	18,178,160
18,178,160 x 37.3% took maternity leave=	6,780,454
6,780,454 x 84% private sector employed=	5,695,581
5,695,581 x 49% paid maternity leave=	2,790,834
2,790,834 x 2% =	53,026 Missouri women
53,025 x \$421 x 6 weeks x 50% =	\$66,970,575 in tax credits

Officials from the **Office of the Secretary of State (SOS)** state this bill creates a tax credit for employers who give employees paid maternity leave. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Revenue could require as many as approximately 10 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$23.00. The estimated cost of a page in the Code of State Regulations is \$27.00. Costs for this proposal would be \$513.00 for FY 2002. The actual costs could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials of the **Department of Insurance (INS)** state this proposal creates an income tax credit for employers who give their employees paid maternity leave. No fiscal impact to INS is expected. These tax credits apply to taxes in chapter 143 and does not affect premium tax payments by insurance companies.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Cost - Dept. of Revenue</u>			
Reprogramming costs	(\$43,607)	\$0	\$0
<u>Loss to All State Funds</u>			
Tax credits for employer who grants paid maternity leave	\$0	(\$66,970,575)	(\$66,970,575)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUNDS	<u>(\$43,607)</u>	<u>(\$66,970,575)</u>	<u>(\$66,970,575)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

Certain small businesses may receive tax credits for paid maternity leave given to their employees.

DESCRIPTION

This act would grant a credit against taxes due pursuant to Chapter 143, RSMo, (Income Tax) except for Sections 143.191 to 143.265 (Withholding Tax) for an employer who grants an employee paid maternity leave. The credit would be in an amount equal to fifty percent of the amount of maternity leave wages paid by the employer for the first six months of paid maternity leave per employee. Any amount of tax credit which exceeds the tax due shall be refunded, but shall not be carried forward to any subsequent taxable year and shall not be transferrable.

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

This proposal would result in a decrease in Total State Revenues.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration
 Division of Budget and Planning
Office of Secretary of State
Department of Insurance



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Director

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