

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4939-06
Bill No.: Perfected SS for SB 1248
Subject: Taxation and Revenue - General; Taxation and Revenue - Income; Taxation and Revenue - Sales and Use
Type: Original
Date: April 24, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	\$49,058,601 to \$49,148,601	\$34,400,000	\$34,400,000
Total Estimated Net Effect on <u>All</u> State Funds	\$49,058,601 to \$49,148,601	\$34,000,000	\$34,000,000

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Treasurer** stated this proposed legislation would have no fiscal impact on their agency.

Officials from the **Department of Elementary and Secondary Education** were unable to estimate the dollar impact to the general revenue fund resulting from this proposed legislation.

Officials from the **Secretary of State's Office (SOS)** assumed the rules, regulations and forms issued by the Department of Revenue and the Missouri Gaming Commission could require as many as 16 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* 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. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual cost for FY03 is estimated at \$984 but 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of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.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 appropriations process. Any decisions to raise fees to defray costs would be made in subsequent fiscal years.

SECTION 136.320 - Amnesty of Penalties, Additions, and Interest

Officials of the **Department of Revenue (DOR)** state this legislation provides statutory procedures for a limited tax amnesty program.

DOR assumes the portion of the proposal indicates amnesty only applies to state taxes but it should also include local taxes DOR collects. An amnesty sales tax form will need to be developed.

DOR assumes overtime may be incurred to have the amnesty wrapped up within the 60 days proposed in the legislation with notification back to the taxpayer of approval or not. Additional postage will be incurred; it could be as much as \$10,000 but should not exceed \$100,000. It will depend on taxpayer response to the amnesty.

DOR assumes this legislation will impact several separate and unique systems MINITS, COINS, Employer Withholding, MITS, Motor Vehicle Delinquent Fee. Each of the systems will need program changes to generate letters to notify taxpayers of the amnesty program. Approval letters will also need to be generated. Each system will need to be programmed to earmark the amount collected as a result of the amnesty to the school moneys fund instead of GR. An amnesty

ASSUMPTION (continued)

program will need to be developed for each tax system in order to monitor and administer the program. DOR estimates that the above program changes (to all tax systems) will require 6,055 hours of programming for a total cost of \$201,995. The State Data Center cost to implement the proposed legislation will be \$39,404.

SECTION 143.261 - Timely Filing of Withholding Tax (REPEAL)

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** estimate the elimination of the timely filing allowance for employers who submit withholding tax will result in annual income of \$18,400,000.

SECTION 143.811

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this portion of the proposal will generate \$6,000,000 in savings annually to due elimination of interest on carrybacks of tax credits.

Officials from the **Department of Revenue (DOR)** assume this legislation prevents interest on refunds due to tax credit carrybacks. This will have no administrative impact to DOR.

SECTION 144.190 - Erroneously Paid Tax

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** estimated \$10,000,000 annually in decrease in sales tax refunds, based on information provided by the **Department of Revenue (DOR)**.

BAP and DOR assume that Senate Amendment 3 permits class action suits for claims relating to sales tax overcharges. According to BAP, if the taxpayers prevail, Article X of the Missouri Constitution requests the state to pay plaintiff attorney fees. This could result in significant costs to the state. In addition, the potential loss in revenues could offset the potential gain associated with the refunds to purchasers provision. **Oversight** assumes there would be a limited number of suits and impact to revenue would be minimal.

FISCAL IMPACT - State Government

FY 2003

FY 2004

FY 2005

GENERAL REVENUE

LMD:LR:OD (12/01)

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
<u>Income</u> - Amnesty Tax Revenue (Section 136.320)	\$15,000,000	\$0	\$0
<u>Savings</u> - Elimination of interest on carrybacks of tax credits (Section 143.811)	\$6,000,000	\$6,000,000	\$6,000,000
<u>Savings</u> - Reduction in Sales Tax Refunds (Section 144.190)	\$10,000,000	\$10,000,000	\$10,000,000
<u>Savings</u> - Elimination of Timely Filing Allowance (Section 143.261)	\$18,400,000	\$18,400,000	\$18,400,000
<u>Cost</u> - Department of Revenue			
Postal	(\$10,000 to \$100,000)	\$0	\$0
Programing	<u>(\$241,399)</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Cost</u> - Department of Revenue	(\$251,399 to \$341,399)	\$0	\$0
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$49,058,601 to \$49,148,601 to</u>	<u>\$34,400,000</u>	<u>\$34,400,000</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small Businesses can expect to be fiscally impacted due to this proposed legislation.

DESCRIPTION

This proposed legislation modifies various provisions related to collection and refund procedures

of sales and income taxes:

- (1) Section 136.320 - Requires that amnesty shall be granted for all interest and additions to tax with respect to unpaid taxes that are paid in full between August 1, 2002, and September 30, 2002; such amnesty shall not apply to persons involved in a criminal or civil litigation related to the tax liability nor to persons involved in an appeal to the Administrative Hearing Commission or a protest with the department of revenue regarding such tax liability; certain other requirements must be met and a collection fee may be imposed;
- (2) Section 143.811 - Modifies the carry-back of overpayments to tax with respect to tax credits which are retroactively claimed by a taxpayer by amended return so that such taxpayer will not receive the benefit of retroactive interest for such claimed overpayment;
- (3) Section 144.190 - Permits overcollected or overpaid sales taxes to be credited to a retailer only if the retailer can demonstrate to the satisfaction of the director of revenue that the amounts refunded were or will be returned to the party who originally paid the tax;
- (4) Section 143.261 (REPEAL) - Eliminates the timely filing allowance for employers who submit withholding tax. The current allowance ranges from 0.5% to 2% depending on the amount withheld.

The proposal contains an emergency clause.

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

THIS PROPOSAL WILL INCREASE TOTAL STATE REVENUE

SOURCES OF INFORMATION

Department of Elementary and Secondary Education

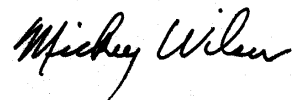
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Department of Revenue
Office of Administration
Division of Budget and Planning
Office of Secretary of State
Administrative Rules Division
Office of State Treasurer

Not Responding

Missouri Gaming Commission

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, slightly slanted style.

Mickey Wilson, CPA
Acting Director
April 24, 2002