

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2598-01
Bill No.: HB 765
Subject: Taxation and Revenue - Income
Type: Original
Date: January 8, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$61,665 to Unknown)	(\$6,903 to Unknown)	(\$6,903 to Unknown)
Total Estimated Net Effect on General Revenue Fund*	(\$61,665 to UNKNOWN)	(\$6,903 to UNKNOWN)	(\$6,903 to UNKNOWN)

*Expected to exceed \$100,000 annually.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of Administration - Division of Budget and Planning (BAP)** assume this bill would permit the exclusion from adjusted gross income, taxable income received in other states. BAP assumes this proposal would reduce general and total state revenues. However, BAP does not have the requisite data to estimate the impact of this bill. BAP assumes this estimate should be done by the University of Missouri-Columbia Research Center and/or the Department of Revenue. This bill would have no impact on BAP.

Officials of the **Department of Revenue (DOR)** state this legislation indicates that any resident individual who was domiciled in another state for at least 30 consecutive days during any taxable year and received taxable income from sources within that state during the same taxable year may, in lieu of applying the credit for taxes paid to other states, exclude the amount of taxable income from the computation of Missouri Adjusted Gross Income. DOR assumes the Division of Taxation, Personal Tax Bureau, will need one Temporary Tax Season Employee to key the additional tax information.

DOR assumes the Division of Taxation, Customer Assistance Bureau, will need one Tax Collection Technician (TCT) for every 24,000 calls a year to income tax hotline regarding general information and notice of adjustments on refunds due to supporting documentation. Also, one TCT for every 15,000 calls a year to the delinquency line regarding notice of

ASSUMPTION (continued)

adjustments with balance due from lack of supporting documentation. DOR will monitor for activity and request FTE after implementation.

DOR assumes Information Technology will have to provide program changes to the tax systems. Programming is estimated at 1,386 hours at a cost of \$46,259. Also, State Data Center charges for programming and data capture will be \$9,007 and an on going cost of \$451.

Officials of the **University of Missouri-Columbia, Research Center (UMRC)** state that 148,302 returns were filed in tax year 2002 claiming \$176,502,000 in credit for income taxes paid to other states on Form MO-CR.

Oversight assumes this proposal would exclude taxable income from other states when the taxpayer was domiciled in the other state for at least thirty consecutive days during the tax year. Since **Oversight** has no information available to reduce the numbers provided by UMRC, **Oversight** has shown the revenue loss from this proposal as unknown, expected to exceed \$100,000.

This proposal could decrease Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Loss - General Revenue</u>			
Exclusion of taxable income from other states*	(Unknown)	(Unknown)	(Unknown)
<u>Cost - Dept. of Revenue</u>			
Personal Service (1 Temp)	(\$6,488)	(\$6,488)	(\$6,488)
Programming	<u>(\$55,177)</u>	<u>(\$415)</u>	<u>(\$415)</u>
Total Cost - DOR	<u>(\$61,665)</u>	<u>(\$6,903)</u>	<u>(\$6,903)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$61,665 to UNKNOWN)</u>	<u>(\$6,903 to UNKNOWN)</u>	<u>(\$6,903 to UNKNOWN)</u>

*Expected to exceed \$100,000 annually.

FISCAL IMPACT - Local Government

FY 2005
(10 Mo.)

FY 2006

FY 2007

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

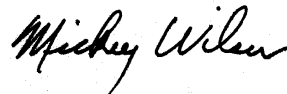
DESCRIPTION

This proposal allows a resident taxpayer who was domiciled in another state for at least 30 consecutive days and had income from that state to exclude that income from the computation of Missouri Individual Income Tax. Under current law, the resident taxpayer must include the non-Missouri source income in the computation of Missouri individual income tax and take a credit against Missouri taxes for the amount of taxes paid to the other state.

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
Office of Administration
Division of Budget and Planning
University of Missouri
Research Center



Mickey Wilson, CPA
Director
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