

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2627-01
Bill No.: HB 827
Subject: Revenue Dept.; Taxation and Revenue - General; Taxation and Revenue - Income
Type: Original
Date: March 18, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$137,943)	(\$23,171)	(\$23,171)
Total Estimated Net Effect on General Revenue Fund	(\$137,943)	(\$23,171)	(\$23,171)

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> 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 from the **Office of State Treasurer** and **Missouri Department of Transportation** assume the proposal will have no fiscal impact on their organization.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumes the proposal would create a Hancock Amendment Refund Trust Fund. The proposal appears to allow taxpayers who are owed a relatively small "Hancock" refund (\$10 or less) to allocate this payment to their subsequent year's state revenue income tax.

In FY 03, total state revenue was approximately \$1.8 billion below the total state revenue limit. In addition, per estimates prepared by BAP, total state revenue will continue to be below the limit for the next several years. Therefore, the proposal is unlikely to have any impact in the near future.

The proposal will have no fiscal impact on the BAP.

Officials from the **Department of Revenue (DOR)** provide the following assumptions relating to the proposal:

Administrative Impact:

The Division of Taxation will need to add a line to the front of all individual income tax forms and capture the data. The DOR may be responsible for printing W-2s for the tax credit. The

ASSUMPTION (continued)

Personal Tax Division will need two (2) Tax Season Temporaries to key the trust fund information into the DOR individual income tax system.

Customer Assistance will have additional calls regarding the new Hancock Amendment Trust Fund. One Tax Collection Technician will be needed for every 24,000 calls to answer the income tax hotline.

Information Technology will have programming cost along with additional State Data Center (SDC) cost. The estimated hours to program will be in two phases. Phase I would be the programming to add the trust fund to the face of all of the returns and key entry capabilities of this checkoff. Phase II, if mandated by the proposal, would be the printing and mailing of documentation to taxpayers that have used the checkoff. It is estimated that 3,460 hours of programming will be needed at a cost of \$115,426. State Data Center implementation costs are estimated to be \$22,517 and printing, storage and ongoing SDC would be \$23,171.

The DOR estimates total costs of implementing this proposal to be \$194,664 for FY 05; \$79,703 for FY 06; and \$80,577 for FY 07.

Oversight assumes since total state revenue is not estimated to exceed the limit outlined in Article X of the Missouri Constitution for the next several years, the DOR will not need to hire additional staff at the present time. If, in the future, Article X refunds become a possibility, the DOR can request additional staff through the appropriations process.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Costs - Department of Revenue</u>			
Equipment and Expense - Programming and SDC costs	<u>(\$137,943)</u>	<u>(\$23,171)</u>	<u>(\$23,171)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$137,943)</u>	<u>(\$23,171)</u>	<u>(\$23,171)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<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.

DESCRIPTION

This proposal creates the Hancock Amendment Refund Trust Fund.

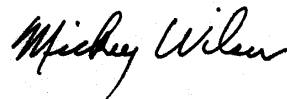
Taxpayers due a refund of \$10 or less pursuant to Article X, Section 18 of the Missouri Constitution, commonly known as the Hancock Amendment, may designate on their state income tax return that the refund be credited to the trust fund. The amount designated will be credited on the taxpayer's return in the following tax year and appear on the taxpayer's W-2 form.

Deposits in the trust fund will be used solely for payment of costs incurred administering the trust fund.

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 -
Division of Budget and Planning
Department of Revenue
Office of State Treasurer



Mickey Wilson, CPA
Director
March 18, 2004