

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4434-01
Bill No.: HB 1420
Subject: Banks and Financial Institutions: Revenue Dept; Taxation and Revenue - General;
Taxation and Revenue - Income
Type: Original
Date: March 12, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$191,265)	(\$168,180)	(\$168,180)
Total Estimated Net Effect on General Revenue Fund	(\$191,265)	(\$168,180)	(\$168,180)

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 from the **Office of Administration - Division of Budget and Planning** assume this proposal has no impact on general revenue or total state revenues.

Officials from the **Department of Economic Development - Division of Finance** and **Division of Credit Unions** stated this proposal would have no fiscal impact on their agencies.

Officials from the **Secretary of State's Office (SOS)** assumed the rules, regulations and forms issued by the Department of Revenue could require as many as 4 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. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$246 for FY 2005. 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of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.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.

ASSUMPTION (continued)

Officials from the **Department of Revenue - Division of Taxation and Collection** made the following assumptions regarding this proposal:

Taxation would need to have the additional information (2 lines minimum) added to all of the tax returns. This will cause all returns, except the 1040 long form, to go to two pages.

Additional printing costs would be incurred because additional pages have to be added in sequences of 4 to allow for the correct layout for the vendors. This would add \$.05 cost to each book and DOR prints 2.1 million - additional printing costs of \$105,000.

The additional key entry by Personal Tax for the additional 2 lines would increase the Tax Season Temporaries to 18 since the routing and banking numbers would have to be double keyed for accuracy. Personal Tax will also need 2 Tax Season Temporaries to handle the rejects or missing deposits.

MINITS has some of the programming in place for E-file. However, key entry would need to be changed, screens would need to be modified, such as the shadow copy (taxpayer's information prior to error correction). It is estimated that it would take 2 programmers 2 months to achieve these tasks or 692 hours for a cost of 23,085. State Data Center storage would be \$2,249.

According to the Internal Revenue Service, about 40 percent of all refunds were directly deposited in 2002, representing half of all refund dollars. Based on this information, **Oversight** assumes that eight Tax Season Temporaries would be sufficient to handle the keying, rejects and missing deposits. For fiscal note purposes, State Data Center storage costs are also adjusted to reflect a 40 percent direct deposit rate.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE			
<u>Cost - Department of Revenue</u>			
Tax Season Temporaries	(\$62,280)	(\$62,280)	(\$62,280)
Additional Printing Costs	(\$105,000)	(\$105,000)	(\$105,000)
MINITS Programming	(\$23,085)	\$0	\$0
State Data Center	<u>(\$900)</u>	<u>(\$900)</u>	<u>(\$900)</u>
TOTAL Costs - Dept of Revenue	(\$191,265)	(\$168,180)	(\$168,180)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$191,265)</u>	<u>(\$168,180)</u>	<u>(\$168,180)</u>

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.

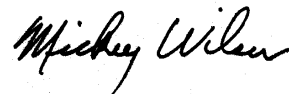
DESCRIPTION

This proposal requires the Director of the Department of Revenue to create a system that allows for the direct deposit of any individual income tax refund into a bank account of the taxpayer's choice. Under current law, individual checks are processed and mailed when a refund is due. Direct deposit is only allowed for returns filed electronically.

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 Economic Development
Division of Finance
Division of Credit Unions
Department of Revenue
Division of Taxation and Collection
Office of Secretary of State
Division of Administrative Rules



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Director
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