

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4674-01  
Bill No.: HB 1603  
Subject: Taxation and Revenue - Income; Business and Commerce; Economic  
Development  
Type: Original  
Date: March 15, 2004

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Revenue	(\$4,800,000)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$4,800,000)</b>	<b>(UNKNOWN)</b>	<b>(UNKNOWN)</b>

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

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
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

#### FISCAL ANALYSIS

##### ASSUMPTION

Officials of the **Office of Administration - Division of Budget and Planning** assume this proposal has no impact on the Office of Administration, Budget and Planning.

Officials of the **Department of Revenue (DOR)** state this legislation re-establishes Section 135.766 (Tax Credit for Small business Guaranty Fees) in statute. DOR assumes there should be minimal impact to the Division of Taxation and Collection.

Officials of the **Department of Economic Development** and the **Department of Agriculture** did not respond to our fiscal note request for this proposed legislation.

In response to SB 894 from the 2000 session, officials of the **Department of Economic Development** stated that these provisions would cause a net one-time savings of \$4,800,000 in FY 2001. The proposal would delete \$6,000,000 in credits available as a result of investments in community banks and community development corporations; however \$1,200,000 has already been used. (The proposal replace those credits by making available \$500,000 per year in credits authorized in sections 32.110 and 32.115 for community banks and community development corporations and the proposal reduces the total amount of credits authorized in this section back to \$13,000,000 from \$19,000,000.)

**This legislation would result in a loss to Total State Revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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**GENERAL REVENUE FUND**

Loss - General Revenue Fund

Tax credit for Small Business Guaranty Fees	<u>(\$4,800,000)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON  
GENERAL REVENUE FUND**

<u>(\$4,800,000)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

Small businesses would be expected to be impacted as a result of this proposal since this proposal authorizes tax credits targeted at small businesses.

DESCRIPTION

This proposal reenacts one section of law regarding a tax credit received by eligible small businesses. The tax credit is equal to the guaranty fee required by the United States Small Business Administration to obtain guaranteed financing and to programs administered by the United States Department of Agriculture or the Farm Service Agency. Senate Bill 894 of 2000 amended this section but was found to violate the single subject requirement of Article III, Section 23, of the Missouri Constitution. The bill will republish the section allowing a tax credit equal to the required fee.

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

NOT RESPONDING:  
Department of Economic Development  
Department of Agriculture

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

Mickey Wilson, CPA  
Director  
March 15, 2004