COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1475-01
Bill No.: HB 500
Subject: Business and Commerce; Unemployment Compensation; Employees-Employers
Type: Original
Date: March 8, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Special Employment Security Fund *	Unknown	Unknown	Unknown
Unemployment Compensation Trust Fund *	Unknown	Unknown	Unknown
Total Estimated Net Effect on Other State Funds *	**Unknown**	**Unknown**	**Unknown**

* expected to exceed $100,000.
Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTIONS

Officials from the **Department of Labor and Industrial Relations** (DOLIR) assume the proposal would require that if an employer transfers its trade or business, or a portion thereof, to another employer and, at the time of the transfer, there is substantially common ownership, management, or control of the two employers, then the unemployment experience attributable to the transferred trade or business would be transferred to the employer to whom such business is so transferred. The rates and liabilities of both employers would be recalculated.

Further, the proposal would require that an individual, organization or employing unit who knowingly violates or attempts to violates this section solely or primarily for the purpose of obtaining a lower contribution rate would be penalized.

ASSUMPTIONS (continued)

Federal law requires that State Unemployment Tax Act (SUTA) dumping language must be enacted by January 1, 2006. Failure to enact SUTA dumping legislation would make Missouri's statutes out of conformity. If Missouri law does not conform to Federal law the result could be a loss of certification for FUTA credits. A loss of certification could cause contributing Missouri employers to lose approximately $990 million annually in FUTA credits, and the Division of Employment Security could lose approximately $40 million annually in federal administrative grants.

DOLIR assumes the proposal would increase the agency's ability to collect employer contributions due to the Unemployment Compensation Trust Fund; however, DOLIR is unable to determine the amount of increased collections. DOLIR also assumes some employers will be found in violation of the proposal and subsequently assessed a monetary penalty. While these penalties would be deposited in the Special Employment Security fund, the agency is unable to determine the amount money that would be generated by these penalties.

The proposed legislation contains changes that would effect all employers. The economic impact on small business alone cannot be determined.

Oversight assumes the proposal would create an unknown increase in revenue to the Unemployment Compensation Trust Fund and the Special Employment Security Fund. The amounts are expected to exceed $100,000 per year.

FISCAL IMPACT - State Government	FY 2006 (10 Mo.)	FY 2007	FY 2008
UNEMPLOYMENT COMPENSATION TRUST FUND			
Revenues - employer contributions *	Unknown	Unknown	Unknown
ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION TRUST FUND *	**Unknown**	**Unknown**	**Unknown**

* expected to exceed $100,000.

FISCAL IMPACT - State Government	FY 2006 (10 Mo.)	FY 2007	FY 2008
SPECIAL EMPLOYMENT SECURITY FUND			
Revenues - penalties *	Unknown	Unknown	Unknown
ESTIMATED NET EFFECT ON SPECIAL EMPLOYMENT SECURITY FUND *	**Unknown**	**Unknown**	**Unknown**

* expected to exceed $100,000.

FISCAL IMPACT - Local Government	FY 2006 (10 Mo.)	FY 2007	FY 2008
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

This proposal could impact small businesses which buy, sell or transfer a business or part of a business subject to employer contributions and unemployment experience ratings.

DESCRIPTION

This proposal would create a process for determining the employer's contribution rate after the transfer of ownership of a company.

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 Labor and Industrial Relations

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