

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1644-01  
Bill No.: HB 837  
Subject: Tax Credits: Education - Elementary and Secondary; Taxation of Revenue - Income  
Type: Original  
Date: March 24, 2005

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
General Revenue	\$0	(Up to \$1,000,000)	Up to (\$1,000,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>(Up to \$1,000,000)</b>	<b>(Up to \$1,000,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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
<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 2006	FY 2007	FY 2008
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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#### **FISCAL ANALYSIS**

##### **ASSUMPTION**

Officials from the **House of Representatives, Department of Labor and Industrial Relations, Department of Revenue - State Tax Commission, Missouri Consolidated Health Care Plan,** and the **Department of Economic Development - Division of Workplace Development** state this proposal will have no fiscal impact on their respective agencies.

Officials from the **Department of Revenue - Division of Taxation** assume that to maintain current processing times for claims, correspondence and errors, Personal Tax will have to reallocate from other return processing areas 1 Tax Processing Tech for every additional 4,000 claims filed to work credits claimed. MINITS and COINS mainframes will need to be modified at an estimated cost of \$46,170.

The Division of Taxation will have internal costs estimated to be \$69,162 and 1 FTE associated with the implement of this legislation; however, the division believes it can manage these costs at current appropriation levels unless there is a material change in the division's other responsibilities.

Officials from the **Department of Elementary and Secondary Education (DESE)** state their agency does not currently collect individual student records and would have no knowledge of a student's GPA. DESE would have to collect the GPA of every student, in addition to parental

ASSUMPTION (continued)

approval, and develop a system which has the ability to cross reference minimum attendance requirements, and free or reduced lunch eligibility. DESE would require 1.0 FTE director to implement this program and review claim forms annually.

DESE assumes school districts will likely incur costs to collect and send data to the department on a continual basis.

**Oversight** assumes DESE is responsible for establishing a procedure by which a taxpayer can determine if a student is a qualified high school student. The proposed legislation does not outline any duties for DESE other than the one time project of establishing the procedure. For fiscal note purposes only, **Oversight** assumes costs can be absorbed with existing resources.

Officials from the **Department of Insurance** did not respond to a request for fiscal note.

**This proposal will reduce total state revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
<b>GENERAL REVENUE FUND</b>			
<u>Loss</u> - Summer Employment Tax Credit	\$0	Up to <u>(\$1,000,000)</u>	Up to <u>(\$1,000,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>Up to (\$1,000,000)</u></b>	<b><u>Up to (\$1,000,000)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

This proposal will have an impact on the small businesses who choose to employ eligible students in order to utilize the credit.

## DESCRIPTION

This proposed legislation establishes that a taxpayer (a person, firm, a partner in a firm, corporation or a shareholder in an S corporation doing business in the state of Missouri) can claim a tax credit against the taxpayer's state tax liability in an amount equal to 100% of the amount taxpayer paid to a qualified high school student in wages for summer employment. The credit cannot exceed taxpayers' liability, the taxpayer shall not claim in excess of \$50,000 per taxable year, and credit can be carried over to the next four succeeding tax years. The original credit has to exceed \$100.

The proposal indicates that the Department of Elementary and Secondary Education is to establish the procedure that the taxpayers are to use. The cumulative amount of the tax credit cannot exceed \$1 million in any one fiscal year.

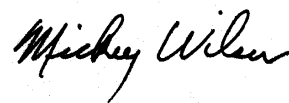
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

## SOURCES OF INFORMATION

Department of Industrial and Labor Relations  
Department of Elementary and Secondary Education  
Department of Economic Development  
    Division of Workplace Development  
Office of Administration  
    Division of Budget and Planning  
    Administrative Hearing Commission  
Department of Revenue  
    Division of Taxation  
    State Tax Commission  
Missouri Consolidated Health Care Plan

## NOT RESPONDING

**Department of Insurance**



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