COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5177-02
Bill No.: HB 1888
Subject: Business and Commerce; Revenue Department; Taxation and Revenue; Veterans
Type: Original
Date: April 4, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(Unknown - could exceed $1,000,000)	(Unknown - could exceed $1,000,000)	(Unknown - could exceed $1,000,000)
Total Estimated Net Effect on General Revenue Fund*	**(Unknown - could exceed $1,000,000)**	**(Unknown - could exceed $1,000,000)**	**(Unknown - could exceed $1,000,000)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Insurance Dedicated	($2,164)	$0	$0
Total Estimated Net Effect on Other State Funds*	**($2,164)**	**$0**	**$0**

*** The fiscal impact could be divided between the General Revenue Fund and the County Foreign Insurance Fund (which ultimately goes to local school districts) if some of the tax credits are utilized against insurance premium taxes.**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government*	**$0**	**$0**	**$0**

*** The fiscal impact could be divided between the General Revenue Fund and the County Foreign Insurance Fund (which ultimately goes to local school districts) if some of the tax credits are utilized against insurance premium taxes.**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue**, **Department of Labor and Industrial Relations** and the **Department of Economic Development** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $1,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

ASSUMPTION (continued)

Officials from the **Department of Insurance (INS)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. INS can not estimate how much would be lost in premium tax revenue as a result of tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted tax credits each year.

INS will require $2,164 for contract computer programming to add this new tax credit to the premium tax database.

Officials from the **Office of Administration - Budget and Planning (BAP)** state this bill will have a negative impact on general revenue; however, after discussions with the Veterans Commission and the Department of Revenue, we do not believe it is possible to estimate the fiscal impact of this bill. The Veterans Commission can estimate the number of veterans of the global war on terrorism, but there is no way to estimate the number of employers who would take advantage of the tax credit, the withholding taxes associated with the jobs filled by the veterans, or the number of veterans who would become employed after their service.

Officials from the **Missouri Veterans Commission (VET)** state, based on information from the National Guard, the VET estimates that the current number of veterans (‘eligible employees’) impacted would be approximately 15,000 to 20,000. However, as the war on terror continues, 3,000 to 4,000 veterans would be added annually.

Oversight does not know the rate at which businesses would participate in the program (but assume it would be relatively high), the percentage rate that such veterans work in the private sector, the percentage of such veterans that obtain new jobs, the average annual wages/salary such a working veteran would earn, or the ability of the business to utilize the tax credit since the credit is non-transferable. However, assuming that 15,000 eligible employees in a given year each earn an average pay of $30,000, this would equate to $225 million in tax credits (15,000 eligible employees x $30,000 x 50%) to be issued by the Department of Revenue. The actual amounts, obviously, could vary substantially. Therefore, Oversight will assume lost revenue from the proposal would be unknown - exceeding $1,000,000.

This proposal would reduce Total State Revenues.

FISCAL IMPACT - State Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
Loss - Department of Revenue			
Tax credit for businesses that hire veterans of the global war on terrorism	(Unknown - could exceed $1,000,000)	(Unknown - could exceed $1,000,000)	(Unknown - could exceed $1,000,000)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND*	**(Unknown - could exceed $1,000,000)**	**(Unknown - could exceed $1,000,000)**	**(Unknown - could exceed $1,000,000)**

Note: This does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

	FY 2007 (10 Mo.)	FY 2008	FY 2009
INSURANCE DEDICATED FUND			
Cost - Dept. of Insurance			
Reprogramming costs	($2,164)	$0	$0
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	**($2,164)**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses that hire veterans of the global war on terror could be positively impacted as a result of this proposal.

DESCRIPTION

This proposal authorizes a tax credit for hiring a veteran of the Global War on Terrorism against a company's corporate income tax; corporate franchise tax; financial institutions tax; or bridge, express, and public utility company tax. Individuals are excluded from this tax credit. The veteran must have been deployed abroad after September 11, 2001, and received an honorable discharge. The tax credit will be equal to 50% of the wages paid to the veteran and is not refundable, cannot be carried over, or transferred.

The provisions of the bill will expire six years from the effective date.

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

Missouri Veterans Commission
Office of Administration - Budget and Planning
Department of Revenue
Department of Insurance
Office of the Secretary of State
Department of Economic Development
Department of Labor and Industrial Relations

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