

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1466-01
Bill No.: HB 598
Subject: Business and Commerce; Employment Security; Labor and Industrial Relations
Dept.
Type: Original
Date: March 6, 2007

Bill Summary: Would exempt employers from unemployment compensation coverage where employees who are owners are ineligible for unemployment benefits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Unemployment Compensation Administration Fund *	\$0	\$0	\$0
Unemployment Compensation Trust Fund *	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds *	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

* Net of offsetting savings and costs.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development, Division of Workforce Development** assume this proposal would have no fiscal impact to their organization.

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume this proposal would exempt sole proprietors, partnerships, and limited liability companies currently electing to be treated for tax purposes as a sole proprietor or partnership, from being classified as an "employer". The affected employers in the State would experience adverse tax consequences and the Division of Employment Security would experience a negative fiscal impact in both the Unemployment Compensation (UC) Trust Fund and the UC Administration Fund.

ASSUMPTION (continued)

DOLIR assumes the UC Trust Fund would experience a negative fiscal impact which would be greater than \$100,000. The negative impact would be the result of the difference between the net reduction in contributions and the net reductions in the benefits paid. The net contributions reduction calculation would be based on the 409,714 employees affected, assuming all reached the \$12,000 state taxable wage base with all employers having the 2007 average tax rate of 2.196%. The result of this calculation is a contributions reduction of \$107,967,833. The net reductions in benefits paid is based on the number of employees that could receive benefits. It is not possible for the Division of Employment Security (DES) to estimate how many employees could be receiving benefits, for how long, or the benefit amount.

The UC Administration Fund would experience a negative fiscal impact since it is allocated money based on several factors; one factor is the workload component. The DES workload is then compared to the other states and money is allocated based on this analysis. The change in Missouri's workload as compared to workload levels in the other states would determine the amount of money allocated to fund the UC Administration Fund, which supports Missouri's unemployment compensation program. This negative fiscal impact is also an unknown. The impact would be greater than \$100,000.

Oversight assumes that there would be an unknown net impact to the Unemployment Compensation Trust Fund due to partially offsetting reductions in contributions from those employers who would be exempted from coverage by this proposal, and reductions in benefits to former employees of those employers. Oversight assumes the net impact to the Unemployment Compensation Administration Fund would be minimal since expenditure reductions would have to be made for any reductions in federal allocations.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND			
<u>Cost reduction - DOLIR</u>			
Claims from exempted employers employees	More than \$100,000	More than \$100,000	More than \$100,000
<u>Revenue reduction - DOLIR</u>			
Contributions from exempted employers	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND *	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>
UNEMPLOYMENT COMPENSATION TRUST FUND			
<u>Cost reduction - DOLIR</u>			
	More than \$100,000	More than \$100,000	More than \$100,000
<u>Revenue reduction - DOLIR</u>			
Federal allocations	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
UNEMPLOYMENT COMPENSATION TRUST FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

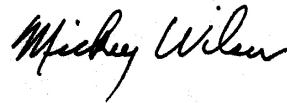
FISCAL DESCRIPTION

This proposal would exempt employers from unemployment compensation coverage where employees who are owners are ineligible for unemployment benefits.

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 Economic Development
Division of Workforce Development
Department of Labor and Industrial Relations

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

Mickey Wilson, CPA
Director
March 6, 2007