

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1722-01
Bill No.: HB 1034
Subject: Corporations; Revenue Dept.; Taxation and Revenue - General; Taxation and Revenue - Income; Taxation and Revenue - Sales and Use
Type: Original
Date: March 26, 2007

Bill Summary: Would direct the Department of Revenue to establish methods for replacing the state income tax with a state sales tax.

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

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 **Office of the Secretary of State (SOS)** assume this proposal would replace the state income tax with a state sales tax.

SOS Administrative Rules officials stated that the rules on state income tax would have to be rescinded and new rules on the new state sales tax would have to be promulgated. These rules would be published by our division in the Missouri Register and the Code of State Regulations. Based on experience with other divisions; the rules, regulations and forms issued by the Department of Revenue could require as many as 146 pages in the Code of State Regulations. The estimated cost of a page in the Code of State Regulations is \$27.00. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. The estimated cost of a page in the Missouri Register is \$23.00. These costs are estimated, and actual cost could be more or less than the numbers given. The impact of this legislation in future years is unknown and would depend upon the frequency and length of rules filed, amended, rescinded or withdrawn.

SOS Administrative Rules staff submitted a cost estimate for rules publication of $(146 \times \$27) + (219 \times \$23) = \$7,483$.

SOS Election Division staff stated that many joint resolutions are considered by the General Assembly that would require the SOS to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by the Missouri Constitution and Statutes. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. The SOS assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. However, because these requirements are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly change the amount or eliminate the estimated nature of our appropriation.

ASSUMPTION (continued)

Oversight notes that this proposal would require the Department of Revenue to submit a report to the General Assembly no later than January 1, 2008 including recommendations on the implementation of the proposal's requirements. The proposal would become effective upon approval by the voters at the November 2008 general election.

Officials from the **Office of Administration, Administration Hearing Commission**, and the **Department of Revenue** assume this proposal would have no fiscal impact on their organization.

Officials from the **Office of Administration, Division of budget and Planning** did not respond to our request for information.

Oversight assumes that this proposal would be implemented in a way that would provide statewide sales tax revenues equivalent to the income and other taxes that would be repealed and would therefore have no fiscal impact to the state.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<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.

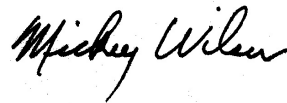
FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

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

Office of the Secretary of State
Office of Administration
Administrative Hearing Commission
Department of Revenue

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

Mickey Wilson, CPA
Director
March 26, 2007