

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1782-02
Bill No.: HCS for HB 891
Subject: Disabilities; Revenue Dept.; Taxation and Revenue - Income
Type: Original
Date: March 12, 2007

Bill Summary: Would provide a tax credit for hiring disabled workers.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	\$0	(More than \$100,000)	(More than \$100,000)
Total Estimated Net Effect on General Revenue Fund	\$0	(More than \$100,000)	(More than \$100,000)

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 6 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	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development** and the **Department of Public Safety, Missouri Veterans Commission** assumed a previous version of this proposal would have no fiscal impact on their organizations.

Officials from the **Department of Elementary and Secondary Education** assume this proposal would have no fiscal impact on their organization, and note that the proposal would likely reduce state income tax revenues.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume be no added cost to BAP as a result of a previous version of this proposal. This proposal would create a schedule of tax credits ranging from \$1000 - \$3000 for each disabled employee hired by a taxpayer, depending on the number of hours the employee works per week.

BAP does not have data on the number of disabled workers that may currently be employed in Missouri. However, BAP notes that in their response to HB 827 LR 1737-01 officials from the Department of Social Services estimated that 17,795 individuals participated in the Medical Assistance for Workers with Disabilities (MAWD) program in 2004. Based on this figure, this proposal could reduce general and total state revenues by \$17.8M to \$53.4M.

However, according to US Census Bureau data, there are nearly 209,000 disabled employees in Missouri. Using this data, the impact of this proposal is obviously much greater.

Officials from the **Department of Revenue (DOR)** assumed a previous version of this proposal would create a new tax credit. On or after January 1, 2007, a taxpayer would be allowed a tax credit for each disabled employee hired by the taxpayer. The credit would be \$1,000 for each disabled employee who works at least 10 hours a week in the taxable year, \$1,500 for each disabled employee who works at least 20 hours a week in the taxable year, or \$3,000 for each disabled employee who works at least 40 hours a week in the taxable year. The credit would not be refundable nor could it be transferred, sold, or assigned.

ASSUMPTION (continued)

DOR Taxation assumes it would require form changes in order to administer this new credit; however, it believes the new credit can be handled with existing staff.

Information Technology ITSD/DOR assumes the IT portion of this request could be accomplished within existing resources, however; if priorities shift, additional FTE/overtime would be needed to implement. ITSD/DOR estimates that this legislation could be implemented utilizing 2 existing CIT III for 1 month at a cost of \$8,372.

In response to a similar proposal in the previous session (HB 1870, LR 5134-01, 2006), officials from the **Department of Insurance** (INS) stated that it is unknown how many insurance companies would choose to participate in this program and take advantage of the tax credits. As there is not a maximum credit amount set to be claimed or issued per year, INS could 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 throughout the state. County Stock Funds are later distributed to the school district and the county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds would be impacted tax credits each year.

In response to a similar proposal in the previous session (HB 1870, LR 5134-01, 2006), officials from the **Office of Secretary of State** (SOS) stated that 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)

Oversight assumes this proposal would have a negative fiscal impact in excess of \$100,000 per year on the state's General Revenue Fund due to the issuance of additional tax credits for employers of handicapped workers. The proposal would be effective beginning for tax years starting on or after January, 2008; Oversight assumes that the first tax returns claiming the tax credit for those tax years would be filed in FY 2009. The proposal would also have an unknown negative fiscal impact on the County Foreign Insurance Fund and the County Stock Fund, and ultimately to school districts and counties. Oversight will indicate the unknown negative fiscal impact to school districts and counties since the County Foreign Insurance Fund and the County Stock Funds distribute insurance company tax revenues to those political subdivisions.

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

<u>Loss - Tax credits for hiring disabled workers</u>	<u>\$0</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
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ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
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LOCAL GOVERNMENTS

<u>Loss - counties</u>			
Tax credits for hiring disabled workers	\$0	(Unknown)	(Unknown)

<u>Loss - school districts</u>			
Tax credits for hiring disabled workers	\$0	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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FISCAL IMPACT - Small Business

This proposal could have a fiscal impact on small businesses which employ handicapped workers.

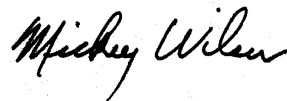
FISCAL DESCRIPTION

This proposal would provide a tax credit for hiring disabled workers.

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 Administration
Division of Budget and Planning
Department of Economic Development
Department of Elementary and Secondary Education
Department of Public Safety
Missouri Veterans Commission
Department of Revenue



Mickey Wilson, CPA
Director
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