

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2243-01  
Bill No.: HB 1000  
Subject: Business and Commerce; Corporations; Revenue Dept.; Taxation and Revenue - Income  
Type: Original  
Date: March 13, 2007

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Bill Summary: Would provide an income tax exemption for new manufacturers in this state for the first five years of the manufacturer's existence.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue *	\$0	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on General Revenue Fund *</b>	<b>\$0</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

\* Unknown expected to exceed \$100,000.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<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.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Total Estimated Net Effect on FTE</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

☐ 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).

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

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would exempt new manufacturers in the state from corporate income tax.

Budget and Planning has reviewed this Fiscal Note. BAP assumes there would be no added cost to their organization as a result of this proposal.

BAP notes that net corporate income tax totaled \$333.3 million in FY06. In calendar year 2006, according to the United States Bureau of Labor Statistics Current Employment Statistics Data, about 13% of total private-service employees in Missouri were in manufacturing. Using this figure as an estimate of manufacturing's share, BAP estimates corporate income taxes from manufacturing were \$43.3 million in FY06. BAP defers to the Department of Revenue or the Department of Economic Development for an estimate of the number of new manufacturers that may open in the state each year. This proposal would lower general and total state revenues by an unknown amount less than \$43.3 million.

Officials from the **Department of Revenue** (DOR) stated that the Division of Taxation was unable to determine if this would create an additional line on the corporate income tax return or additional forms to accompany the income tax return. DOR assumes the Corporate Income Tax Section would require 1 Tax Processing Technician I to maintain the accounts, exemptions, correspondence, and phone calls.

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 3 existing CIT III for 2 months at a cost of \$25,116.

DOR submitted an estimated cost to implement this proposal including 1.0 additional FTE and related benefits, equipment, and expenses totaling \$37,623 for FY 2008, \$39,742 for FY 2009, and \$40,935 for FY 2010.

**Oversight** assumes that a tax exemption would create minimal additional workload for the Department of Revenue which could be absorbed with existing resources. If unanticipated additional costs are incurred or if multiple proposals are enacted which increase the DOR workload, resources could be requested through the budget process.

ASSUMPTION (continued)

Officials from the **Department of Economic Development** (DED) assume this proposal would result in an unknown negative impact to the General Revenue Fund. DED assumes DOR would provide an estimate of the fiscal impact.

DED would likely use this tax exemption to try to bring manufacturing businesses to Missouri. Some unknown positive impact could be derived from new businesses relocating and if the businesses stayed in the state the taxes paid after year five would be a positive impact.

**Oversight** assumes this proposal would result in a revenue reduction greater than \$100,000 per year to the General Revenue Fund for tax years beginning January 1, 2008 (FY 2009). Oversight notes that new enterprises typically experience losses during their first years of existence, and that there could be some offset to the revenue reduction from increased employment and general economic activity.

**This proposal would reduce Total State Revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction - DOR</u>			
Income tax exemption for new corporations. *	\$0	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND *</b>	\$0	<u><b>(Unknown)</b></u>	<u><b>(Unknown)</b></u>
* Unknown expected to exceed \$100,000.			
<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to new incorporated small businesses involved in manufacturing.

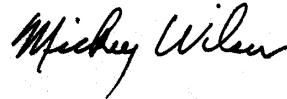
### FISCAL DESCRIPTION

This proposal would provide an income tax exemption for new manufacturers in this state for the first five years of the manufacturer's existence.

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 Revenue



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Director  
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