

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4568-07
Bill No.: HCS for HB 1974
Subject: Revenue Department; Tax Credits; Taxation and Revenue - Sales and Use;
Transportation
Type: Original
Date: April 2, 2008

Bill Summary: This proposal provides tax incentives for transportation infrastructure projects.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on General Revenue Fund	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Other State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	Up to 2	Up to 2	Up to 2
Total Estimated Net Effect on FTE	2	2	2

☐ 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 2009	FY 2010	FY 2011
Local Government	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** assume the proposal would not fiscally impact their agency.

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposal creates tax credits and sales tax exemptions to incent private investment in a private-public partnership for transportation improvements. BAP defers to MoDOT and the Department of Revenue for an estimate in reductions in general revenue as a result of this proposal.

Officials from the **Department of Transportation (MoDOT)** assume no fiscal impact at this time because they currently do not have any Public Private Partnership projected identified at this time. If they did have projects, the impact would be an unknown positive depending on the project.

Officials from the **Department of Revenue (DOR)** assume Section 227.646 would require;

- 2 Temporary Tax Employees for key-entry;
- 1 Tax Processing Technician I for every 19,000 returns to be verified; and
- 1 Tax Processing Technician I for every 2,400 pieces of correspondence generated.

DOR assumes the cost of the two FTE and the two temporary employees total roughly \$95,000 per year.

Due to the Statewide Information Technology Consolidation, DOR's response to a proposal will now also reflect the cost estimates prepared by OA-IT for impact to the various systems. As a result, the impact shown may not be the same as previous fiscal notes submitted. In addition, if the legislation is Truly Agreed To and Finally Passed, the OA-IT costs shown will be requested through appropriations by OA-IT.

Office of Administration Information Technology (ITSD DOR) estimates the IT portion of this request can be accomplished within existing resources; however, if priorities shift, additional FTE/overtime would be needed to implement. Office of Administration Information Technology (ITSD DOR) estimates that this legislation could be implemented utilizing 1 existing CIT III for 2 months for modifications to MINITS and 3 existing CIT III for 1 month for modifications to COINS, CAFÉ, and Corporate E-File. The estimated cost is \$20,930.

ASSUMPTION (continued)

Oversight will range the fiscal impact to the DOR from \$0 to their estimated cost since, according to MoDOT, there currently are no projects and Oversight is unsure if future projects will be developed from the changes in this proposal.

Oversight has, for fiscal note purposes only, changed the starting salary for DOR's Tax Processing Technician I to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

In response to a previous version of this proposal, officials from the **Department of Conservation** stated the proposal would have a negative fiscal impact on the MDC funds. The exact amount of impact is unknown, but is expected to exceed \$100,000 annually.

Officials from the **Department of Natural Resources (DNR)** state Section 144.054 would exempt from state and local sales and use taxes all sales and purchases made by a contractor for use in completing certain transportation infrastructure projects. DNR's Parks and Soils Tax Fund is derived from one-tenth of one percent sales and use tax pursuant to Section 47(a) of the Missouri Constitution. Therefore, any additional sales and use tax exemption would be a loss to the Parks and Sales Tax Fund. The amount of fiscal impact is unknown. DNR assumes the Department of Revenue may be better able to estimate the amount of impact to the PSST.

In response to a previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** assumed 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 \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

In response to a previous version of this proposal, officials from **St. Louis County** assumed the proposal would not have a fiscal impact on them.

ASSUMPTION (continued)

Officials from the **City of Columbia** state this proposal causes no discernable impact at this time.

Officials from the **City of St. Louis**, **City of Springfield** and **Greene County** did not respond to our request for fiscal impact.

Since, according to MoDOT, none of these private-public partnerships exist yet, **Oversight** will range the fiscal impact of the sales tax exemption and the state tax exemption from \$0 to (Unknown).

This proposal could reduce Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE FUND			
<u>Costs - Department of Revenue</u>			
Personal Service (up to 2 FTE)	\$0 to (\$37,801)	\$0 to (\$46,722)	\$0 to (\$48,124)
Fringe Benefits	\$0 to (\$18,702)	\$0 to (\$23,115)	\$0 to (\$23,808)
Temporary Employees	\$0 to (\$13,390)	\$0 to (\$16,550)	\$0 to (\$17,047)
Expenses and Equipment	<u>\$0 to (\$12,458)</u>	<u>\$0 to (\$2,060)</u>	<u>\$0 to (\$2,123)</u>
<u>Total Costs - DOR</u>	\$0 to (\$82,351)	\$0 to (\$88,447)	\$0 to (\$91,102)
FTE Change DOR	up to 2	up to 2	up to 2
<u>Loss - Subsection 144.054.4 - sales tax exemption for goods and services used for completing projects under Sections 227.600 to 227.669</u>	\$0 to (Unknown)	\$0 to (Unknown)	\$0 (Unknown)
<u>Loss - Subsection 227.646 - decrease in state tax liability for private partner investments in projects</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
ESTIMATED NET EFFECT TO GENERAL REVENUE FUNDS	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

FISCAL IMPACT - State Government
 (continued)

FY 2009
 (10 Mo.)

FY 2010

FY 2011

OTHER STATE FUNDS

Loss to Schools District Trust Fund,
Conservation Commission Fund, Parks
and Soils Fund - Subsection 144.054.4 -
 sales tax exemption for goods and
 services used for completing projects
 under Sections 227.600 to 227.669

\$0 to
(Unknown)

\$0 to
(Unknown)

\$0 to
(Unknown)

**ESTIMATED NET EFFECT TO
 OTHER STATE FUNDS**

\$0 to
(Unknown)

\$0 to
(Unknown)

\$0 to
(Unknown)

FISCAL IMPACT - Local Government

FY 2009
 (6 Mo.)

FY 2010

FY 2011

LOCAL POLITICAL SUBDIVISION

Loss - Subsection 144.054.4 - sales tax
exemption for goods and services used
for completing projects under Sections
227.600 to 227.669

\$0 to
(Unknown)

\$0 to
(Unknown)

\$0 to
(Unknown)

**ESTIMATED NET EFFECT TO
 LOCAL POLITICAL SUBDIVISIONS**

\$0 to
(Unknown)

\$0 to
(Unknown)

\$0 to
(Unknown)

FISCAL IMPACT - Small Business

Small businesses that qualify for the sales tax exemption or the income tax exemption may be positively impacted as a result of this proposal.

FISCAL DESCRIPTION

The proposal authorizes an exemption from state and local sales and use tax is authorized for all sales and purchases of tangible personal property, utilities, and services used by contractors for completing a public-private partnership project.

Also, any revenues received from Sections 227.600 to 227.669 (Missouri Public-Private Partnerships Transportation Act) shall be exempt from any tax on income imposed by any law of this state.

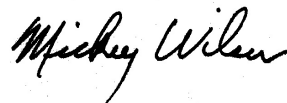
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Transportation
Department of Revenue
Department of Insurance, Financial Institutions and Professional Registration
Office of the Secretary of State
Office of Administration - Budget and Planning
Department of Conservation
Department of Natural Resources
St. Louis County
City of Columbia

NOT RESPONDING:

City of St. Louis
City of Springfield
Greene County



Mickey Wilson, CPA
Director
April 2, 2008