

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5049-01  
Bill No.: HB 2583  
Subject: Funerals and Funeral Directors; Revenue Dept.; Taxation and Revenue - Income  
Type: Original  
Date: April 7, 2008

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Bill Summary: Would provide an income tax deduction for certain funeral costs up to \$5,000.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>                   |                                     |                                     |                                     |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| FUND AFFECTED   | FY 2009                             | FY 2010                             | FY 2011                             |
| General Revenue   | (Less than<br>\$12,399,314)         | (Less than<br>\$12,406,324)         | (Less than<br>\$12,408,035)         |
|   |                                     |                                     |                                     |
| <b>Total Estimated<br/>Net Effect on<br/>General Revenue<br/>Fund</b> | <b>(Less than<br/>\$12,399,314)</b> | <b>(Less than<br/>\$12,406,324)</b> | <b>(Less than<br/>\$12,408,035)</b> |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>                      |            |            |            |
|---|------------|------------|------------|
| FUND AFFECTED   | FY 2009    | FY 2010    | FY 2011    |
|   |            |            |            |
|   |            |            |            |
| <b>Total Estimated<br/>Net Effect on <u>Other</u><br/>State Funds</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

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

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |            |            |            |
|---|------------|------------|------------|
| FUND AFFECTED   | FY 2009    | FY 2010    | FY 2011    |
|   |            |            |            |
|   |            |            |            |
| <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 2009  | FY 2010  | FY 2011  |
|   |          |          |          |
|   |          |          |          |
| <b>Total Estimated Net Effect on FTE</b>                  | <b>0</b> | <b>0</b> | <b>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 2009    | FY 2010    | FY 2011    |
| <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 the Secretary of State (SOS)** provided this response.

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 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.

Officials from the **University of Missouri, Economic Policy Analysis and Research Center (EPARC)** stated that they did not have information available regarding funeral costs and were not able to estimate the fiscal impact of this proposal.

Officials from the **Department of Financial Institutions, Insurance, and Professional Registration, Division of Professional Registration**, on behalf of the **Board of Embalmers and Funeral Directors** stated that this proposal would have no fiscal impact to their organization.

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

Officials from the **Department of Health and Senior Services, Bureau of Budget Services and Analysis (DHSS)** provided information regarding the number of deaths per year. DHSS officials stated that an average of 54,740 deaths were recorded over the past ten years.

Officials from the **Department of Revenue (DOR)** assume this proposal would provide an income tax deduction which would decrease the amount of tax collected and would reduce total state revenue.

ASSUMPTION (continued)

DOR officials stated that the proposal would create a deduction for funeral expenses beginning on or after January 1, 2008, limited to no more than \$5,000. DOR would be required to create implementation rules and procedures by which the deduction may be claimed. Form and system changes will be required.

DOR estimated that Personal Tax would require two FTE Temporary Tax Employees for key entry; one FTE Tax Processing Technician I per 19,000 errors; and one FTE Tax Processing Technician I per 2,400 pieces of correspondence.

DOR provided an estimate of the IT cost to implement this proposal.

The Office of Administration, Information Technology Services Division (ITSD/DOR) assumes the IT portion of this request could be accomplished with existing resources, however; if priorities shift, additional FTE/overtime would be needed. ITSD/DOR estimates that this legislation could be implemented utilizing one FTE existing CIT III for 2 months for modifications to MINITS at a total cost of \$8,372.

DOR provided an estimated total cost to implement this proposal including two additional employees and the related equipment and expenditures totaling \$87,743 for FY 2009, \$101,136 for FY 2010, and \$104,170 for FY 2011.

**Oversight** has, for fiscal note purposes only, changed the starting for the additional positions 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 for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has adjusted the DOR equipment and expenditure estimates in accordance with OA budget policy. Finally, Oversight assumes that a limited number of additional employees could be accommodated in existing office space.

ASSUMPTION (continued)

**Oversight** will use the DOHSS estimate of deaths and calculate the fiscal impact of this proposal as follows.

|   |   |                            |
|---|---|----------------------------|
| 54,740 deaths per year x \$5,000 allowable funeral cost | = | \$273,700,000 funeral cost |
| \$273,700,000 funeral cost x 4.5% average tax rate      | = | \$12,316,000 tax reduction |

Oversight assumes the fiscal impact would be less than the amount calculated since some funeral costs would not be paid by individual taxpayers, and some funeral costs would be paid by taxpayers who do not owe Missouri income taxes. Oversight will indicate a revenue reduction less than \$12,316,000.

| <u>FISCAL IMPACT - State Government</u> | FY 2009<br>(10 Mo.) | FY 2010 | FY 2011 |
|---|---------------------|---------|---------|
|---|---------------------|---------|---------|

**GENERAL REVENUE FUND**

Revenue reduction - Department of Revenue

|                        |                                     |                                     |                                     |
|------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Funeral cost deduction | <u>(Less than<br/>\$12,316,000)</u> | <u>(Less than<br/>\$12,316,000)</u> | <u>(Less than<br/>\$12,316,000)</u> |
|------------------------|-------------------------------------|-------------------------------------|-------------------------------------|

Cost - Department of Revenue

|                          |                   |                   |                   |
|--------------------------|-------------------|-------------------|-------------------|
| Personal Service (2 FTE) | (\$36,700)        | (\$45,361)        | (\$45,722)        |
| Temporary employees      | (\$13,390)        | (\$16,550)        | (\$17,047)        |
| Fringe Benefits          | (\$22,150)        | (\$27,377)        | (\$28,199)        |
| Expense and Equipment    | (\$11,074)        | (\$1,036)         | (\$1,067)         |
| Total                    | <u>(\$83,314)</u> | <u>(\$90,324)</u> | <u>(\$92,035)</u> |

|   |  |  |  |
|---|--|--|--|
| <b>ESTIMATED NET EFFECT ON<br/>GENERAL REVENUE FUND</b> | <u><b>(Less than<br/>\$12,399,314)</b></u> | <u><b>(Less than<br/>\$12,406,324)</b></u> | <u><b>(Less than<br/>\$12,408,035)</b></u> |
|---|--|--|--|

| <u>FISCAL IMPACT - Local Government</u> | FY 2009<br>(10 Mo.) | FY 2010           | FY 2011           |
|---|---------------------|-------------------|-------------------|
|   | <u><b>\$0</b></u>   | <u><b>\$0</b></u> | <u><b>\$0</b></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 provide an income tax deduction for certain funeral costs up to \$5,000.

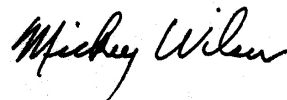
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State  
Department of Financial Institutions, Insurance, and Professional Registration  
Division of Professional Registration  
Department of Health and Senior Services  
Bureau of Budget Services and Analysis  
Department of Revenue  
University of Missouri  
Economic Policy Analysis and Research Center

NOT RESPONDING

**Office of Administration**  
**Division of Budget and Planning**



Mickey Wilson, CPA  
Director  
April 7, 2008