

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5150-01
Bill No.: HB 1583
Subject: Business and Commerce; Science and Technology; Tax Credits; Economic Development
Type: Original
Date: February 7, 2014

Bill Summary: This proposal repeals language referring to the Missouri Science and Innovation Reinvestment Act and establishes provisions relating to tax credits for Missouri Technology Corporations.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue*	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

* Revenues and costs net to zero.

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal would not fiscally impact BAP. This proposal creates a tax credit for contributors to the Missouri Technology Corporation. This tax credit is revenue neutral to the state because Missouri Technology Corporation will pay the state the amount of the tax credits issued. There is a positive and negative impact to Total State Revenue, which nets to \$0.

This also removes the Missouri Science and Innovation Reinvestment Act (MOSIRA) from statute, as it was invalidated by the Missouri Supreme Court.

Officials at the **Department of Revenue (DOR)** assume this proposal will require computer programming changes to various tax systems. The IT impact is estimated at \$22,932 for 840 FTE hours. The Personal Tax Division assumes they will need one Revenue Processing Technician I for every 6,000 credits. The Corporate Tax Division assumes the need for three Revenue Processing Technicians I's for credit redemption, tax credit transfers and compliance mailings and correspondence.

Oversight assumes DOR is provided with core funding to handle a certain amount of computer programming activity each year. Oversight assumes DOR could absorb the programming costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Oversight assumes it is unclear how many taxpayers may be eligible for this tax credit. Therefore, Oversight assumes that DOR's Personal and Corporate Tax Divisions could absorb the responsibilities of this tax credit with existing resources. Should DOR experience an increase in their workload directly related to this tax credit, then they could seek additional resources through the appropriation process.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state an unknown reduction of premium tax revenues as a result of the creation of the Missouri Technology Corporations tax credit is possible. 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 county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

ASSUMPTION (continued)

DIFP will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Officials at the **Department of Economic Development**, the **Joint Committee on Administrative Rules**, the **Missouri State Employees' Retirement System**, the **Office of the Governor**, the **Office of the State Auditor**, the **Office of State Treasurer** and the **University of Missouri** each assume there is no fiscal impact to their respective agencies from this proposal.

Oversight assumes that §348.265.2(3) requires payment from the Missouri Technology Corporation equal to the amount of the value of the tax credit. Oversight assumes that receipt of payment and the application of the tax credits could affect various state funds, so for the purpose of this note, Oversight is showing all the payments and costs to General Revenue. However, the overall result of this proposal is no impact to Total State Revenue.

Officials from the **Office of the Secretary of State (SOS)** state 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, 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Revenue</u> - Department of Economic Development - payment for tax credit filed with application	Unknown	Unknown	Unknown
<u>Cost</u> - Department of Economic Development - Missouri Technology Corporation tax credit \$348.265	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that qualify for the tax credit may be positively impacted.

FISCAL DESCRIPTION

This bill establishes provisions relating to tax credits for the Missouri technology corporation. The bill creates a tax credit equal to 50% of a cash donation given by a taxpayer to the corporation. The tax credit is non-refundable but may be carried forward to any of the taxpayer's four subsequent taxable years. The tax credit may be assigned, transferred, sold, or conveyed with the new owner of the tax credit receiving the same rights in the credit as the taxpayer.

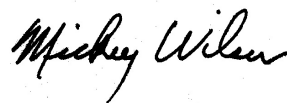
FISCAL DESCRIPTION (continued)

The provisions of the bill will expire September 1st, six years after the effective date.

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 Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue
Joint Committee on Administrative Rules
Missouri State Employees' Retirement System
Office of Administration
 Division of Budget and Planning
Office of the Governor
Office of the Secretary of State
Office of the State Auditor
Office of State Treasurer
University of Missouri



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