

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5374-01
Bill No.: HB 1563
Subject: Business and Commerce; Revenue Department; Tax Credits; Taxation and
Revenue - Income
Type: Original
Date: February 3, 2014

Bill Summary: This proposal authorizes an income tax credit for certain small businesses who hire a person who is disabled or who was recently discharged from a correctional facility.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0	(\$246,928) to (\$10,246,928)	(\$208,925) to (\$10,208,925)
Total Estimated Net Effect on General Revenue Fund	\$0	(\$246,928) to (\$10,246,928)	(\$208,925) to (\$10,208,925)

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
General Revenue	0 FTE	5 FTE	5 FTE
Total Estimated Net Effect on FTE	0 FTE	5 FTE	5 FTE

☐ 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 provides a tax credit to small businesses that hire qualifying disabled persons or persons recently released from a correctional facility. The aggregate amount of credits available is \$10 million annually. Therefore, this proposal could reduce General and Total State Revenues by this amount.

Officials at the **Department of Elementary and Secondary Education** assume that tax subsidies reduce the state's tax revenues and decrease the amount of money available for public schools and all public school students.

Officials at the **Department of Revenue (DOR)** assume this proposal will require computer programming changes to various tax systems. The IT portion of this fiscal impact is estimated at \$22,932 for 840 FTE hours.

DOR's Personal Tax Division will require the need for one Revenue Processing Technician I for additional tax credits claimed. DOR's Corporate Tax Division will need one Revenue Processing Technician I for additional tax credit redemptions. DOR's Collections and Tax Assistance Division will need two Tax Collection Technicians I for additional contacts on the delinquent and non-delinquent tax lines and one Revenue Processing Technician I for additional contacts to the tax assist offices if the credit claims are more than the \$10 million cap.

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.

Officials at the **Department of Corrections**, the **Joint Committee on Administrative Rules** and the **Missouri Veterans Commission** each assume there is no fiscal impact to their respective agencies from this proposal.

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

ASSUMPTION (continued)

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.

Oversight assumes this creates a new tax credit beginning January 1, 2015, with a \$10 million annual cap. Oversight will show the amount of loss revenue to the State in FY 2016 and FY 2017 as \$0 (no credits issued) to the annual cap.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Revenue Reduction</u> - creation of tax credit for hiring a disabled person or person from a correctional facility	\$0	\$0 to (\$10,000,000)	\$0 to (\$10,000,000)
<u>Cost - Department of Revenue</u>			
Personal Service	\$0	(\$133,239)	(\$134,572)
Fringe Benefits	\$0	(\$67,959)	(\$68,638)
Equipment and Expenses	<u>\$0</u>	<u>(\$45,730)</u>	<u>(\$5,713)</u>
<u>Total Costs - DOR</u>	<u>\$0</u>	<u>(\$246,928)</u>	<u>(\$208,925)</u>
FTE Change - DOR	0 FTE	5 FTE	5 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>(\$246,928) to (\$10,246,928)</u>	<u>(\$208,925) to (\$10,208,925)</u>
Estimated Net FTE Change on General Revenue	0 FTE	5 FTE	5 FTE

FISCAL IMPACT - Local Government

FY 2015
(10 Mo.)

FY 2016

FY 2017

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Small businesses the qualify for the tax credit could be positively impacted.

FISCAL DESCRIPTION

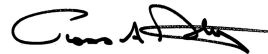
This proposal authorizes an income tax credit for certain small businesses who hire a person who is disabled or who was recently discharged from a correctional facility.

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 Corrections
Department of Elementary and Secondary Education
Department of Revenue
Joint Committee on Administrative Rules
Missouri Veterans Commission
Office of Administration
Division of Budget and Planning
Office of the Secretary of State

Mickey Wilson, CPA
Director
February 3, 2014



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February 3, 2014