

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5741-01
Bill No.: HB 1801
Subject: Construction and Building Codes; Taxation and Revenue - Income; Emergencies
Type: Original
Date: February 25, 2014

Bill Summary: This proposal would create the "Facilitating Business Rapid Response to State Declared Disasters Act".

FISCAL SUMMARY

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Other State	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 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 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume 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 Secretary of State's Office 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.

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would not result in any additional costs or savings to their organization.

BAP officials deferred to the Department of Revenue for the fiscal impact of this proposal, and assumed that total state revenue, the computation required in Article X, Section 18(e) and general revenue could be reduced by an unknown amount for the loss of income from these tax exemptions.

Officials from the **Department of Revenue** assume this proposal would have no fiscal impact to the Department, but would reduce state revenues by a minimal amount.

Officials from the **Department of Economic Development - Division of Business and Community Services, Public Service Commission, Office of Public Counsel, and Division of Workforce Development** assume there would be no impact to their organization from this proposal, and deferred to the Department of Revenue for an estimate of the fiscal impact.

ASSUMPTION (continued)

Officials from the **Department of Natural Resources (DNR)** noted this proposal would exempt out-of-state vendors conducting operations within the state for purposes of assisting in repairing, renovating, installing, or building infrastructure related to a declared state disaster or emergency during the disaster period from existing provisions regarding a level of presence that would subject the business or any of its out-of-state employees to withholding or income tax registration, filing, or remitting requirements and use tax on equipment used or consumed. DNR officials also noted the proposed legislation doesn't include any new responsibilities for the department.

DNR officials assume the reduction to income which would result from the proposal would impact the General Revenue Fund rather than any of the department's dedicated fees or sales taxes.

Officials from **Northwest Missouri State University** assume this proposal would have impact but would not have any idea a dollar amount of taxes we would lose.

Officials from the **Office of Administration - Office of the Commissioner**, the **Department of Conservation**, the **Department of Labor and Industrial Relations**, the **Department of Transportation**, **St. Louis County**, the **City of Columbia**, the **City of Jefferson City**, **Linn State Technical College**, **Missouri State University**, the **University of Central Missouri**, and the **St. Louis County Directors of Elections** assume this proposal would have no fiscal impact on their organizations.

Not responding

Officials from the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to our request for information.

ASSUMPTION (continued)

Officials from the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Joplin, Kansas City, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to our request for information.

Officials from the following school districts: Blue Springs, Branson, Charleston R-I, Cole R-I, Columbia, Fair Grove, Francis Howell, Fulton, Harrison R-IX, Independence, Jefferson City, Johnson County R-7, Kansas City, Kirksville, Kirbyville R-V, Lee's Summit, Malden R-I, Malta Bend, Mexico, Monroe City R-I, Nixa, Parkway, Pattonville, Raymore-Peculiar R-III, Raytown, Riverview Gardens, Sedalia, Sikeston, Silex, Special School District of St. Louis County, Spickard, St Joseph, St Louis, St. Charles, Sullivan, Warren County R-III, and Waynesville did not respond to our request for information.

Officials from the following colleges: Crowder, East Central Community College, Harris-Stowe, Jefferson College, Kansas City Metro Community College, Lincoln University, Moberly Area Community College, Missouri Southern State University, Missouri Western State University, Northwest Missouri State University, Southeast Missouri State University, State Fair Community College, St. Charles Community College, St. Louis Community College, Three Rivers Community College, Truman State University, and the University of Missouri did not respond to our request for information.

Oversight notes this proposal would eliminate many current requirements for businesses which would temporarily have sales or service activity in the state. Although these sales and activities may be on a relatively short term basis, the exemptions in this proposal would result in revenue reductions to the state and to local governments including but not limited to lost sales and use taxes, income taxes on individuals and corporations, deposits and other forms of financial assurance for taxes and fees due, and permits and licenses.

ASSUMPTION (continued)

Oversight notes that information from the Department of Public Safety - State Emergency Management Agency website indicated disasters were declared in eight of the past ten years; therefore, the potential revenue reductions noted above would not be expected every year.

Oversight will include in this fiscal note a revenue reduction of \$0 or unknown to the General Revenue Fund and other state funds, and to local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Revenue reduction</u> - exemptions from taxes, deposits, and other forms of revenue	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
OTHER STATE FUNDS			
<u>Revenue reduction</u> - exemptions from taxes, deposits, and other forms of revenue	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
LOCAL GOVERNMENTS			
<u>Revenue reduction</u> - exemptions from taxes, deposits, and other forms of revenue	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>

FISCAL IMPACT - Small Business

This proposal could reduce the tax and administrative costs for small businesses which qualify for the exemption.

FISCAL DESCRIPTION

This proposal would create the "Facilitating Business Rapid Response to State Declared Disaster Act" which would exempt an out-of-state business and its employees from Missouri withholding, income, and use tax, and employment, licensing, and registration requirements for a period of 60 days after the President or Governor declares a state of emergency or major disaster.

A business would be eligible for the exemption if the business has no registrations, tax filings, or nexus in the state before the declared disaster or emergency. However, a prior registration as an out-of-state business for a declared disaster or emergency would be allowed. The out-of-state business would be required to provide assistance in repairing, renovating, installing, or building infrastructure related to the declared disaster or emergency, and register with the Secretary of State within ten days of entering the state. The Secretary of State would provide the registration information to the Department of Revenue within 30 days after receipt of notification. If the business stays in the state after 60 days, it would be required to meet all state tax, registration, licensing, and filing requirements.

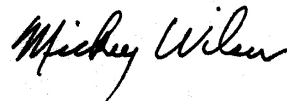
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Office of the Commissioner
 Division of Budget and Planning
Department of Conservation
Department of Economic Development
 Division of Business and Community Services
 Public Service Commission
 Office of Public Counsel
 Division of Workforce Development

SOURCES OF INFORMATION (continued)

Department of Labor and Industrial Relations
Department of Natural Resources
Department of Revenue
Department of Transportation
Linn State Technical College
Missouri State University
Northwest Missouri State University
University of Central Missouri
St. Louis County
City of Columbia
City of Jefferson City
St. Louis County Directors of Elections



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February 25, 2014

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February 25, 2014