

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6240-01
Bill No.: HB 2066
Subject: Tax Credits; Elections; Governor and Lieutenant Governor
Type: Original
Date: March 31, 2014

Bill Summary: This proposal would authorize a tax credit to all taxpayers in a legislative district if a vacancy in the elected senator or representative position was not filled promptly.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(More than \$100,000 to Unknown)	(Less than \$100,000 to Unknown)	(Less than \$100,000 to Unknown)
Total Estimated Net Effect on General Revenue Fund	(More than \$100,000 to Unknown)	(Less than \$100,000 to Unknown)	(Less than \$100,000 to Unknown)

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 7 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 from the **Office of the Governor** assume there would be no additional cost to their organization as a result of this proposal.

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 have a statewide impact, and would impact the calculation required under Article X, Section 18(e) of the Missouri Constitution.

BAP officials noted this proposal would provide a tax credit to all taxpayers in a legislative district if their House or Senate seat remains vacant longer than the proposed limits. The tax credit would be \$1,000 per taxpayer per month, and would be fully refundable.

BAP officials stated a House district could have as many as 38,170 residents, and a Senate district could have as many as 183,401 residents.

ASSUMPTION (continued)

BAP officials assume this proposal could reduce Total State Revenues based on the number of taxpayers in a particular district, and the length of time that district remains without an elected legislator.

Officials from the **Office of the Lieutenant Governor** assume this proposal would have no fiscal impact their organization.

Officials from the **Department of Revenue** noted this proposal would enact the "Patrick Henry No Taxation Without Representation Act". The act would authorize a \$1,000 tax credit for taxpayers within the district where a legislative vacancy exists, in the event the governor does not meet a proposed time limit to call an election to fill the vacant position.

Fiscal impact

DOR officials assumed this proposal would have an unknown, negative impact on Total State Revenue. The amount of the impact would depend on the number of taxpayers within the district and the number of months for which the seat is vacant.

Administrative Impact

Personal Tax

DOR officials assumed Personal Tax would require the creation of new forms, and programming changes. Additionally, DOR officials assumed Personal Tax would require one additional Revenue Processing Technician I (Range 10, Step L) per 6,000 tax credits redeemed.

Corporate Tax

DOR officials assumed the proposal would apply to corporations "residing within the house or senate district" and assume Corporate Tax would require the creation of new forms ,and programming changes. Additionally, DOR officials assume Corporate Tax would require one additional Revenue Processing Technician I (Range 10, Step L) for each 6,000 additional tax credit redemptions plus CARES equipment and license, one additional Revenue Processing Technician I for each 7,800 additional errors generated, plus CARES equipment and license, and one additional Revenue Processing Technician I for each 2,600 additional pieces of correspondence generated, plus CARES equipment and license.

ASSUMPTION (continued)

Summary of administrative cost

The DOR estimate of administrative cost to implement this proposal included four additional employees; with the additional employees, benefits, equipment, and expense, the estimated total cost was \$168,103 for FY 2015, \$165,420 for FY 2016, and \$167,140 for FY 2017.

IT impact

DOR officials assumed changes would be required to Individual Income Tax systems, requiring 2016 hours of programming, and also to Corporate Income Tax systems, requiring an additional 2016 hours of programming. In total, DOR officials assumed the IT cost to implement this proposal would be \$110,074 based on 4,032 hours of programming to make changes to DOR systems.

Oversight notes this proposal would provide a credit against taxes incurred under Chapter 143, RSMo., except for withholding taxes. Oversight also notes those provisions include individuals, fiduciaries, estates, trusts, and corporations. Oversight will assume for fiscal note purposes this tax credit would be made available to all of those taxpayers.

Oversight notes this proposal would add one new tax credit program to existing DOR tax credit processing and management systems, and assumes the Department of Revenue would have administrative and IT cost totaling more than \$100,000 in FY 2015 to prepare to administer this program, and administrative cost less than \$100,000 per year to process the credits. If unanticipated costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

Oversight notes there have been a number of recent vacancies in legislative positions, but has no information or other means to estimate the number of instances in which this proposal could result in tax credits for residents in the future. Therefore, Oversight will indicate a revenue reduction from \$0 to Unknown in the General Revenue Fund for the potential cost of this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Cost - DOR</u>			
Administrative and IT			
Tax credit program	(More than	(Less than	(Less than
Section 135.1776	\$100,000)	\$100,000	\$100,000
<u>Revenue reduction - DOR</u>			
Tax credits			
Section 135.1776	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(More than \$100,000 to <u>Unknown</u>)	(Less than \$100,000 to <u>Unknown</u>)	(Less than \$100,000 to <u>Unknown</u>)

<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

This proposal could have a direct fiscal impact to small businesses in a district which became eligible for the tax credit.

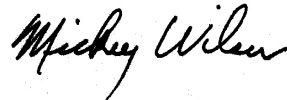
FISCAL DESCRIPTION

This proposal would authorize a tax credit for all taxpayers in a legislative district if a vacancy in the elected senator or representative position for that district is not filled promptly.

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 Governor
Office of the Lieutenant Governor
Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Revenue

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 31, 2014

Ross Strope
Assistant Director
March 31, 2014