

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6344-03
Bill No.: HCS for HB 2188
Subject: Business and Commerce; Tax Credits
Type: Original
Date: April 28, 2014

Bill Summary: This proposal would authorize a tax deduction for businesses that have received the Baldrige National Quality Award.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue *	\$0 or (\$60,000)	\$0 or (\$60,000)	\$0 or (\$60,000)
Total Estimated Net Effect on General Revenue Fund *	\$0 or (\$60,000)	\$0 or (\$60,000)	\$0 or (\$60,000)

* This program would expire on December 31, 2025 or when a total of \$10,000,000 in deductions have been claimed, resulting in up to \$600,000 in total revenue reductions.

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 Administration - Division of Budget and Planning (BAP)** assume this proposal would impact the calculation required under Article X, Section 18(e) of the Missouri Constitution.

BAP officials noted the proposal would create a \$1 million tax deduction for a qualified business that has received their first Baldrige award. BAP officials assume this proposal could impact Total State Revenues by up to (\$600,000) over the life of the tax credit program (assuming there are 10 recipients). BAP officials also assume this would not apply retroactively to past award recipients and noted that issue would not increase the total number of recipients of the deduction, but could speed up the claiming of the deduction.

Officials from the **Department of Revenue (DOR)** assume this proposal would give eligible businesses a tax deduction for receiving the Baldrige Award.

Fiscal impact

Although DOR officials did not provide an estimate of the fiscal impact of the proposal, DOR officials noted the proposal would reduce Total State Revenue since it would allow for a one million dollar deduction for qualified businesses. The proposal would require the qualified business to have received the Baldrige Award to be eligible, and would expire after ten qualified businesses have received the Baldrige Award or December 31, 2025, whichever is earlier.

Administrative impact

DOR officials did not indicate an administrative cost for this proposal, and **Oversight** assumes any costs to implement this proposal could be absorbed with existing resources.

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$13,759 based on 504 hours to make changes to DOR systems.

ASSUMPTION (continued)

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

Officials from the **University of Missouri - Economic and Policy Analysis Research Center (EPARC)** stated they could not provide an estimate of the fiscal impact for this proposal.

Officials from the **Department of Economic Development** assume this proposal would have no fiscal impact on their organization and deferred to the Department of Revenue for an estimate of the fiscal impact of the proposal.

Officials from the **Office of the Secretary of State** and the **Joint Committee on Administrative Rules** assume this proposal would have no fiscal impact on their organizations.

Officials from the **Office of the State Treasurer** assumed a previous version of this proposal would have no fiscal impact on their organization.

Oversight has reviewed the recent history of the Baldrige Award program.

Year	Number of Winners	Number of Winners in Missouri
2013	2	0
2012	4	0
2011	4	1
2010	7	1
2009	5	3
2008	3	0
2007	5	0

ASSUMPTION (continued)

Oversight has briefly reviewed the Missouri winners and notes one would appear to have qualified for the tax deduction if the program had been in existence when that organization received its award.

Oversight assumes this tax deduction would not likely be claimed every year and for fiscal note purposes will indicate an impact of \$0 or a revenue reduction of \$60,000 per year. Oversight notes this proposal does not include an annual limit for the deductions that would be created and assumes the fiscal impact could be more than \$60,000 in any one year.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
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GENERAL REVENUE FUND

Revenue reduction - DOR

Deduction for eligible Baldrige Quality
Award recipient

Section 135.1785 *	<u>\$0 or (\$60,000)</u>	<u>\$0 or (\$60,000)</u>	<u>\$0 or (\$60,000)</u>
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ESTIMATED NET EFFECT ON

GENERAL REVENUE FUND *	<u>\$0 or (\$60,000)</u>	<u>\$0 or (\$60,000)</u>	<u>\$0 or (\$60,000)</u>
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* This program would expire in ten years or when \$10,000,000 in deductions have been claimed, resulting in up to \$600,000 in total revenue reductions.

FISCAL IMPACT - Local Government

FY 2015
(10 Mo.)

FY 2016

FY 2017

\$0

\$0

\$0

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to a qualified small business which won a Baldrige National Quality Award.

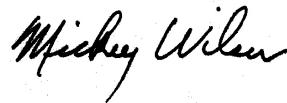
FISCAL DESCRIPTION

This proposal would authorize a tax deduction for businesses that have received their first Baldrige National Quality Award.

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
Office of the State Treasurer
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Economic Development
Department of Revenue
University of Missouri
 Economic and Policy Analysis Research Center



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April 28, 2014

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April 28, 2014