

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4687-02
Bill No.: Perfected HB 1460
Subject: Taxation and Revenue - Income, Department of Revenue, Enterprise Zones
Type: Original
Date: February 13, 2018

Bill Summary: This proposal authorizes a tax deduction for any prize or award won by an Olympic medalist.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **University of Missouri's Economic and Policy Analysis Research Center (EPARC)** assume the U.S. Olympic Committee currently awards gold medalists with a \$25,000 cash prize, silver medalists with a \$15,000 cash prize and bronze medalists with a \$10,000 cash prize. Therefore, at the highest tax rate of 6%, an exemption for the cash prize for a gold medalist would amount to a reduction in tax liability of \$1,500 in the year the medal was won, and consequently a reduction in Net General Revenue of \$1,500 in the same year. At the highest tax rate of 6%, an exemption for the cash prize for a silver medalist would amount to a reduction in tax liability of \$900 in the year the medal was won, and consequently a reduction in Net General Revenue of \$900 in the same year. At the highest tax rate of 6%, an exemption for the cash prize for a bronze medalist would amount to a reduction in tax liability of \$600 in the year the medal was won, and consequently a reduction in Net General Revenue of \$600 in the same year.

The following is a list of all the Olympic medalists from Missouri since 1968:

Name	Year	Sport	Medal
Ann Peterson	1968	Diving	Bronze
Jo-Jo White	1968	Basketball	Gold
Larry Young	1968, 1972	Walking	Bronze (2)
George Woods	1968, 1972	Shot Put	Silver (2)
Leon Spinks	1976	Boxing	Gold
Michael Spinks	1976	Boxing	Gold
Virgil Hill	1984	Boxing	Silver
Steve Salmons	1984	Volleyball	Gold
David Clark	1984	Rowing	Silver
Ray Armstead	1984	4x400 Meter Relay	Gold
Ken Flach	1988	Tennis	Gold
Wendy Lian Williams	1988	Diving	Bronze

Name	Year	Sport	Medal
Janie Wagstaff	1992	4x100 Medley Relay	Gold
Lori Endicott	1992	Volleyball	Bronze
Nikki Ziegelmeyer	1992, 1994	Short Track Speed Skating	Silver, Bronze
Eric Mueller	1996	Rowing	Silver
Tim Harden	1996	4x100 Meter Relay	Silver
Sammie Henson	2000	Wrestling	Silver
Terin Humphrey	2004	Gymnastics	Silver (2)
Courtney McCool	2004	Artistic Gymnastics	Silver
Tammy Crow	2004	Synchronized Swimming	Bronze
J.P. Kepka	2006	Short Track Speed Skating	Bronze
Christian Cantwell	2008	Shot Put	Silver
Lori Chalupny	2008	Soccer	Gold
Scott Touzinsky	2008	Volleyball	Gold
Paul Stastny	2010	Hockey	Silver
Becky Sauerbrunn	2012	Soccer	Gold
J'Den Cox	2016	Wrestling	Bronze
Zach Garrett	2016	Archery	Silver
Murphy Troy	2016	Volleyball	Bronze

Missouri Summer Olympic medalists have averaged 0.76923 gold medals, 0.92308 silver medals, and 0.61539 bronze medals every four years since 1968. Missouri Winter Olympic medalists averaged 0.15385 silver medals every four years and 0.15385 bronze medals every four years since 1968.

ASSUMPTION (continued)

Therefore, we estimate that in any given Summer Olympic year Net General Revenue may be reduced by approximately ...

$$(0.76923 \times \$1,500) + (0.92308 \times \$900) + (0.615385 \times \$600) = \$2,353.85$$

Also, we estimate that in any given Winter Olympic year Net General Revenue may be reduced by approximately ...

$$(0.15385 \times \$900) + (0.15385 \times \$600) = \$230.77$$

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal would exempt the value of any prize or award won by a taxpayer during Olympic Games from the taxpayer's gross income. B&P could not find enough relevant data to estimate an impact from this proposal. However, B&P notes that during the 2016 summer games, there were 0 gold, 1 silver, and 2 bronze medals awarded to Missourians. There have been 65 Olympic athletes born in Missouri since the 1904 summer Olympics, 11 gold medal winners during the summer games since 1924, and 0 gold medal winners during the winter games. B&P notes that data on Olympic athletes is based on state of birth, not state of residence. Therefore, it is possible that not all 65 past athletes resided in Missouri during the time they competed in the Olympics. B&P also notes that if Paralympics and Special Olympics games were also included, the number of athletes that would qualify for this proposal would increase.

Therefore, B&P estimates that this proposal could have a minimal negative impact on Total State Revenue and General Revenue every two years.

This proposal may impact the calculation under Article X, Section 18(e).

Officials at the **Department of Revenue (DOR)** assume this section creates the subsection known as the "Olympic Dream Freedom Act". This legislation adds subsection 10 allowing taxpayers who have won prizes or awards in athletic competition from Olympic, Paralympics or Special Olympics to subtract the value of the prize or award from gross income. The Department believes this would be a minimal negative impact since there have only been 11 Olympic gold medalists born in Missouri since 1924. The department notes that information on Olympic athletes is based on state of birth and not state of residence. Therefore, it is possible that not all Olympic athletes that were born in Missouri still resided within the state, and were thus required to file a state tax return, at the time they participated in the Olympic Games.

ASSUMPTION (continued)

The Personal Tax Section requires one Temporary Tax Employee (\$8,164), one Revenue Processing Technician I (\$26,340) for every 14,700 errors, and one Revenue Processing Technician I (\$26,340) for every 5,700 pieces of correspondence generated.

Oversight assumes that due to the limited number of athletes that DOR could absorb the impact with existing resources. Should the number of athletes equal the number to justify additional FTE, then DOR could seek the FTE through the appropriations process.

Oversight previously noted the United States Olympic Committee (USOC) paid athletes a cash prize of \$25,000 for a gold medal, \$15,000 for a silver medal and \$10,000 for each bronze medal. Additionally the cash value of the medals themselves are \$600 for a gold, \$300 for a silver and the bronze has no cash value. Currently athletes who win these medals are taxed on this income.

Oversight has received additional information indicating that starting with the 2018 Olympics the cash prize for a gold medal is \$37,500, a silver is \$22,500 and the bronze is \$15,000.

Oversight was unable to determine how many Olympic athletes are from Missouri and reside here paying taxes. Oversight notes that the three Olympic training centers where the majority of athletes train are not located in Missouri.

Oversight notes this proposal would exclude from gross income the value of any prize or award won by an Olympic athlete. Therefore, they would no longer pay tax on the medal value or cash prize awarded by the USOC. Due to the minimal loss of this tax, as calculated by EPARC, Oversight will not show a fiscal impact from this proposal.

Oversight for informational purposes is listing the upcoming Olympics.

2018 Pyeongchang - winter games- Feb 2018

2020 Tokyo - summer games

2022 Beijing - winter games

2024 Paris - summer games

2026 Not Announced - winter games

2028 Los Angeles - summer games

Oversight notes an amendment added to this proposal would exempt the prizes of the Paralympics and Special Olympic athletes also. Oversight assumes this amendment would not change the fiscal impact.

ASSUMPTION (continued)

Oversight notes that the Paralympics are held in the same city as the Olympics usually just one month later. Oversight found that starting with the 2018 Olympics the Paralympics athletes will receive \$7,500 for their gold medals, \$5,250 for a silver and \$3,750 for a bronze.

Oversight was unable to determine if Special Olympic athletes receive a cash payment for the medals they win.

Oversight assumes the addition of House Amendment 2 also would not create a material impact to the state.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This legislation would not have a direct fiscal impact.

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 Revenue
Office of Administration
Division of Budget and Planning
University of Missouri's Economic and Policy Analysis Research Center

Ross Strobe

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized flourish at the end.

Acting Director
February 13, 2018