

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5328-01  
Bill No.: HB 1913  
Subject: Taxation and Revenue - Income, Taxation and Revenue - General, Department of Revenue, Tax Incentives  
Type: Original  
Date: January 26, 2018

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Bill Summary: This proposal authorizes a tax deduction for businesses equal to the costs of installing a diaper changing table in certain bathrooms.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	\$0	(Up to \$3,200,000)	(Less than \$10,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>(Up to \$3,200,000)</b>	<b>(Less than \$10,000)</b>

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

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

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

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

☒ 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
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume that beginning with tax year 2019, this proposal would allow any small business a tax deduction for up to 100% of the cost of installing a diaper changing station in a public men's or unisex restroom. B&P notes that the term "small business" is not defined within this proposal.

Based on information from MERIC, there were 183,333 privately owned businesses in Missouri in 2016. Further research indicated that the average price for a diaper changing station was \$703. B&P notes that data was unavailable to determine how many businesses install a changing station annually, or how many businesses may already have a diaper station installed in a public men's or unisex restroom. For the purpose of this fiscal note, B&P will assume that up to all 183,333 businesses will apply for the deduction within the first tax year and then only replacement stations will be installed in subsequent tax years.

Therefore, B&P estimates that this proposal could result in deduction claims up to \$128.8 million ( $183,333 \times \$703$ ). However, since deductions do not reduce Total State Revenue and General Revenue on a dollar per dollar basis, B&P estimates that this proposal will reduce Total State Revenue and General Revenue by up to \$7.6 million ( $\$128.8 \text{ million} \times 5.9\% \text{ tax rate}$ ) in FY 2020, and by a minimal negative amount annually thereafter.

Officials at the **Department of Revenue (DOR)** assume \$143.176, creates a tax deduction allowed on a return if a taxpayer (as defined) installs a baby changing station. This proposal could potentially reduce state revenues by \$2.28 million. The Missouri Economic Research and Information Center states that there were approximately 183,333 small businesses. A Koala Kare Baby Changing Station costs approximately \$211. If the Department assumes that each business in Missouri does not currently have a baby changing station, and each and every business installs one and is taxed at the highest possible tax rate, the Department estimates a total negative impact of \$2.28 million.

DOR assumes that programming changes would be required. The Corporate Tax Section requires one Revenue Processing Technician I (\$26,340) for every 7,800 of additional errors that are generated with CISCO equipment and licenses. Additionally, they need one Revenue Processing Technician I (\$26,340) for every 2,600 pieces of correspondence generated with CISCO equipment and licenses.

ASSUMPTION (continued)

**Oversight** notes that the Missouri Economic Research and Information Center provides the following breakdown of businesses by size in Missouri:

Number of Employees	Number of Businesses
1-4	113,730
5-9	27,900
10-19	19,898
20-49	13,905
50-99	4,567
100-249	2,374
250-499	642
500-999	213
1000+	<u>104</u>
TOTAL	183,333

**Oversight** notes this proposal does not define a “small business”. For fiscal note purposes, Oversight defines a small business as those with less than 50 employees. Oversight notes that based on the numbers provided, 161,528 businesses have less than 20 employees and it is assumed would only have one men’s restroom. While Oversight is aware that some companies may choose not to install the baby changing station or some businesses don’t own their building; Oversight for fiscal note purposes, will assume that the 175,433 businesses (with fewer than 50 employees) could possibly qualify for this credit. Oversight found that several companies sell the baby changing station for the \$211 estimate that DOR provided. Oversight assumes that with installation costs this would bring the cost to \$311. Therefore, Oversight will show the cost of the proposal as Up to \$3,200,000 ( $175,433 \times \$311 \times 5.9\%$  tax rate) in FY 2020.

**Oversight** assumes that future years could have additional businesses qualify if they replace existing tables, add additional restrooms, move locations, or clarify the definition of small business. Therefore, Oversight will show an impact of Less than \$10,000 for each year thereafter. Oversight for informational purposes is showing the cost of additional businesses in future years claiming the deduction.

100 businesses a year - cost \$1,245 ( $100 \times \$211 \times 5.9\%$ )  
500 businesses a year - cost \$6,224 ( $500 \times \$211 \times 5.9\%$ )  
750 businesses a year - cost \$9,337 ( $750 \times \$211 \times 5.9\%$ )

**Oversight** notes the changes in this proposal would be effective beginning January 1, 2019, and the first income tax returns would be filed reflecting these changes in January, 2020 (FY 2020).

ASSUMPTION (continued)

Oversight is aware some business filers would reduce their income tax withholding or their estimated tax payments in anticipation of a tax reduction but does not have information as to the impact of those adjustments. For fiscal note purposes, Oversight would include the revenue reductions in the year in which the affected tax returns would be filed; however, the first year this proposal would have an impact would be FY 2020.

**Oversight** notes this proposal would add a deduction on business income tax returns, but would not be expected to have a significant impact on the number of returns filed. Oversight notes a significantly high percentage of income tax returns are prepared online, electronically, or by paid preparers, and assumes there would not be a significant number of additional errors resulting from the changes in this proposal. Oversight assumes existing DOR staffing would be adequate to implement this proposal. If unanticipated additional cost are incurred or if multiple proposals are implemented that increase DOR costs or the workload for DOR employees, resources could be requested through the budget process.

Officials at the **Joint Committee on Administrative Rules** assume there is no fiscal impact 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 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.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>GENERAL REVENUE</b>			
<u>Revenue Reduction</u> - 100% tax deduction for installing a baby changing station	<u>\$0</u>	(Up to <u>\$3,200,000</u> )	(Less than <u>\$10,000</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b>(Up to <u>\$3,200,000</u>)</b>	<b>(Less than <u>\$10,000</u>)</b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2019 (10 Mo.)	 FY 2020	 FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that install the diaper changing stations as required could receive the tax credit.

FISCAL DESCRIPTION

Beginning January 1, 2019, this bill authorizes an income tax deduction equal to 100% of the cost of installing a diaper changing table in a public men's restroom or public unisex restroom.

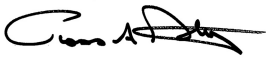
The provisions of this bill will expire on December 31, six years after the effective date.

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  
Joint Committee on Administrative Rules  
Office of Administration  
Division of Budget and Planning  
Office of the Secretary of State

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope", with a stylized, cursive script.

Acting Director  
January 26, 2018