

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3574H.02P
 Bill No.: Perfected HB 1489
 Subject: State Departments; Department of Revenue
 Type: Original
 Date: March 27, 2024

Bill Summary: This proposal modifies provisions relating to mail sent by state agencies.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue*	Up to \$1,200,000	Up to \$1,200,000	Up to \$1,200,000
Total Estimated Net Effect on General Revenue	Up to \$1,200,000	Up to \$1,200,000	Up to \$1,200,000

*Cost avoidance if the Department of Revenue is not required to send notices by certified mail

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Blind Pension Fund (0621)**	Up to \$84,581	Up to \$101,497	Up to \$101,497
Total Estimated Net Effect on <u>Other</u> State Funds	Up to \$84,581	Up to \$101,497	Up to \$101,497

**Cost avoidance if the Department of Social Services can send notices by regular mail instead of by certified mail.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 105.963 – Mailings of campaign disclosure reports; assessments of financial interest statements

Officials from the **Missouri Ethics Commission (MEC)** note while the proposed legislation allows the option of a method other than certified mail, at this time a cost savings is undetermined because the Commission anticipates the necessity of certified mail needed in specific circumstances.

Oversight does not have any information to the contrary. Oversight assumes the savings, if any, from this section of the proposal will be minimal. Therefore, Oversight assumes no fiscal impact to MEC.

Section 143.611 - Changes to DOR mailings to taxpayers

Officials from the **Department of Revenue (DOR)** note currently, per statutes, DOR is required to mail by certified mail, the Notice of Assessment Letter to a taxpayer about a problem with their tax return. DOR is finding that a majority of these certified Notice of Assessments are being returned to DOR unclaimed.

The Notice of Assessment is sent to a taxpayer at their last known address to inform them that they have:

- Failed to file a tax return that is owed,
- Filed a return in which they have incorrectly reported the tax owed, or
- Failed to pay the tax amount due.

Certified mail requires a person to sign for the mail before it can be given to them. Should the postal employee not be able to get a signature upon delivery, they leave a notice informing the person they have certified mail, and they must come to the post office to sign for it. The problem is that postal offices are open limited number of hours a day, for the person to retrieve their certified mail. Usually, the same business hours that the person is working.

Therefore, approximately 80% of these certified Notice of Assessment letters are returned to DOR unclaimed. As of January 1, 2024, a certified notice cost \$3.65 more than a letter sent regular first-class mail. The Department spends about \$1.2 million extra a year in postage to send these Notice of Assessment letters by certified mail. (It should be noted the postage rate is expected to rise each January and July for the next couple of years).

This proposal is removing the certified mail notice requirement if a taxpayer elects to have their notices delivered electronically. Taxpayers other than individuals (business, partnership etc.) can elect to have their notices delivered electronically or have it still delivered by certified mail.

This proposal would also allow individual taxpayers to have the notice sent regular first-class mail or if they elect to have it electronically delivered.

The Department is not able to estimate the number of taxpayers that will opt in to receive notices electronically. However, if all choose to receive their notice electronically DOR will save \$1.2 million in certified mail expenses. DOR will assume this proposal will result in a **savings** to general revenue of Up to **\$1.2 million** annually.

None of the other sections impact DOR.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DOR.

Section 209.030 – Removes certified mail requirement for Blind Pension Fund

Officials from the **Department of Social Services** assume the proposal will have no fiscal impact on their organization.

In response to a similar proposal (Perfected HCS for HB 510) (2023), officials from the **Department of Social Services, Family Support Division (DSS/FSD)** stated the requirement to send communications to Blind Pension (BP) participants via certified mail became effective August 28, 2018. The certified mailing processes were temporarily halted in April 2020 under the DSS Director's Order dated March 25, 2020, due to COVID guidelines and restrictions. For this reason, FY 19 data is used in this analysis. In FY 19, FSD sent 21,641 pieces of certified mail to BP participants. Due to system limitations, the certified mailing costs for all communications to BP participants is not available. FSD determined the average costs for all certified mail to BP participants based on the average cost of certified mail of system-generated notices. In FY 19, the total number of system-generated notices was 13,570. The total certified mailing cost for these system-generated notices was \$70,644. FSD assumes that the average cost for all certified mail is \$5.21 per mailing ($\$70,644/13,570 = \5.21 rounded up). Therefore, the total cost for certified mail to BP participants in FY 19 would be \$112,750 rounded up ($\$5.21 * 21,641$).

If the provisions of this legislation are enacted, FSD would continue to incur regular postage costs for any communications sent to Blind Pension participants. The average cost of postage is \$0.52 per mailing. Based on the total number of mailings from FY 19, the cost that FSD would continue to incur would be \$11,253 ($\$0.52 * 21,641 = \$11,253.32$ rounded down).

Funds were not allocated to FSD for the costs incurred as a result of the requirement to send communications to BP participants via certified mail. Therefore, FSD redirected funds from case management activities for this purpose. FSD would realize a cost avoidance of \$101,497 ($\$112,750 - \$11,253 = \$101,497$) as a result of this legislation. If the provisions of this legislation are enacted, FSD would redirect these funds back to case management activities.

Oversight notes the Blind Pension program receives no federal funds. DSS assumes savings from a reduction in certified mail costs (administrative activity) will be redirected to other activities. Oversight will show the estimated savings provided by DSS/FSD to the Blind Pension Fund. Oversight notes subsection 209.030.3 was added in 2018 with HCS/HB 2171. Oversight will reflect the potential savings to the Blind Pension Fund of “Up to \$101,497”.

Responses regarding the proposed legislation as a whole

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal will not impact - TSR - The calculation under Article X, Section 18(e) - B&P.

Officials from the **Office of the State Courts Administrator** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Officials from the **Jackson County Election Authority, Platte County Election Authority, Kansas City Election Board, St. Louis City Board of Elections, and St. Louis County Election Authority** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
Savings - §143.611 - DOR - Savings on Notice of Assessment certified mail costs	<u>Up to</u> <u>\$1,200,000</u>	<u>Up to</u> <u>\$1,200,000</u>	<u>Up to</u> <u>\$1,200,000</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>Up to</u> <u>\$1,200,000</u>	<u>Up to</u> <u>\$1,200,000</u>	<u>Up to</u> <u>\$1,200,000</u>
BLIND PENSION FUND			

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<u>Savings - §209.030 - DSS - Savings on Blind Pension certified mail costs</u>	<u>Up to \$84,581</u>	<u>Up to \$101,497</u>	<u>Up to \$101,497</u>
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	<u>Up to \$84,581</u>	<u>Up to \$101,497</u>	<u>Up to \$101,497</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Currently a notice of deficiency from the Department or Revenue must be sent via certified or registered mail. This bill authorizes the Department to send a notice of deficiency to taxpayers, other than individuals, electronically, upon request.

For individual taxpayers, the Department may send the notice of deficiency by regular mail or electronically at the taxpayer's request.

The bill removes a requirement that any notice sent to an applicant or recipient of the blind pension fund must be sent by certified mail. Instead, the bill allows the notice to be sent by mail delivered by the United States Postal Service, except that, for any notice of adverse actions, as described in the bill, such notice shall also be sent by certified mail delivered by USPS at the applicant's or recipient's address of record.

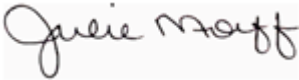
Further, this bill removes a requirement that notices of assessments by the Executive Director of the Ethics Commission be sent by mail or registered mail.

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

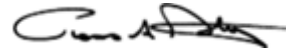
SOURCES OF INFORMATION

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Office of Administration - Budget and Planning (B&P)
Department of Revenue
Department of Social Services
Office of the State Courts Administrator
Jackson County Election Authority
Platte County Election Authority
St. Louis County Election Authority
Kansas City Election Board
St. Louis City Board of Elections



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