

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1572H.01P
 Bill No.: Perfected HB 520
 Subject: State Departments; Department of Revenue
 Type: Original
 Date: March 27, 2025

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 2026 | FY 2027 | FY 2028 |
| 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 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---------------------------------------------------------------|-------------------------|------------------------|------------------------|
| FUND AFFECTED | FY 2026 | FY 2027 | FY 2028 |
| Blind Pension Fund (0621) | Up to \$149,018 | Up to \$178,822 | Up to \$178,822 |
| Total Estimated Net Effect on <u>Other</u> State Funds | Up to \$149,018* | Up to \$178,822 | Up to \$178,822 |

*Oversight notes the fiscal impact for FY 2026 is lesser because FY 2026 is a partial year (10 months).

Numbers within parentheses: () indicate costs or losses.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---------------------------------------------------------------|----------------|----------------|----------------|
| FUND AFFECTED | FY 2026 | FY 2027 | FY 2028 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|-----------------------------------------------------------|----------------|----------------|----------------|
| FUND AFFECTED | FY 2026 | FY 2027 | FY 2028 |
| | | | |
| | | | |
| 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 2026 | FY 2027 | FY 2028 |
| | | | |
| | | | |
| 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** 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.

Section 143.611 - DOR Notice of Assessment Notices

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 July 2024, a certified notice cost \$4.85 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 - Mail Requirements For Blind Pension Participants

Officials from the **Department of Social Services, Family Support Division (DSS/FSD)** state effective 8/28/2018 for BP certified mailing. Used total cost of FAMIS certified mailing for SFY2019 to average the mailing cost per mailing. The average cost was then applied to the monthly mailings tracked for BP, MRT, and FAMIS to gather the total annual costs of certified mail to BP participants.

| Month | BP | MRT | FAMIS | Total Pieces |
|--------|-------|-------|--------------|--------------|
| Aug-18 | 323 | 8 | 0 | 331 |
| Sep-18 | 837 | 199 | 60 | 1096 |
| Oct-18 | 985 | 151 | 3946 | 5082 |
| Nov-18 | 576 | 124 | 1326 | 2026 |
| Dec-18 | 507 | 139 | 1171 | 1817 |
| Jan-19 | 674 | 70 | 1515 | 2259 |
| Feb-19 | 503 | 155 | 1083 | 1741 |
| Mar-19 | 632 | 178 | 1107 | 1917 |
| Apr-19 | 661 | 127 | 1429 | 2217 |
| May-19 | 451 | 152 | 932 | 1535 |
| Jun-19 | 510 | 109 | 1001 | 1620 |
| Total: | 6,659 | 1,412 | 13570 | 21641 |

| | | | |
|--------------------------------------------|--------|-----------------------------------|-----------|
| Certified Mail Cost Effective January 2024 | \$9.64 | Total Costs for Certified Mailing | \$208,619 |
|--------------------------------------------|--------|-----------------------------------|-----------|

| | |
|----------------------------------------|-----------|
| Total Costs for Adverse Actions | \$14,865 |
| Total Cost of Mailing first class mail | \$14,932 |
| Total cost avoidance | \$178,822 |

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 \$178,822”.

Responses regarding the proposed legislation as a whole

Officials from the **Office of Administration - Budget and Planning, Jackson County Election Board, Platte County Board of Elections, St. Louis City Board of Elections, St. Louis County Board of Elections,** and the **Office of the State Courts Administrator** 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 2026 (10 Mo.) | FY 2027 | FY 2028 |
|------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| GENERAL REVENUE | | | |
| <u>Savings</u> - §143.611 - (DOR) - Savings on Notice of Assessment certified mail costs | <u>Up to \$1,200,000</u> | <u>Up to \$1,200,000</u> | <u>Up to \$1,200,000</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | <u>Up to \$1,200,000</u> | <u>Up to \$1,200,000</u> | <u>Up to \$1,200,000</u> |
| BLIND PENSION FUND | | | |
| <u>Savings</u> - §209.030 - (DSS) - Savings on Blind Pension certified mail costs | <u>Up to \$149,018</u> | <u>Up to \$178,822</u> | <u>Up to \$178,822</u> |
| ESTIMATED NET EFFECT ON THE BLIND PENSION FUND | <u>Up to \$149,018</u> | <u>Up to \$178,822</u> | <u>Up to \$178,822</u> |

| <u>FISCAL IMPACT – Local Government</u> | FY 2026 (10 Mo.) | FY 2027 | FY 2028 |
|-----------------------------------------|---------------------|-------------------|-------------------|
| | <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 can send the notice of deficiency by first-class 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 specified in the bill, the notice must also be sent by certified mail delivered by the 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

Department of Revenue
Office of Administration - Budget and Planning
Department of Social Services - Family Support Division (DSS/FSD)
Missouri Ethics Commission
Jackson County Election Board
Platte County Board of Elections
St. Louis City Board of Elections
St. Louis County Board of Elections
Office of the State Courts Administrator



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March 27, 2025



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March 27, 2025