

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0415-01  
Bill No.: HB 126  
Subject: Employees - Employers; Federal - State Relations  
Type: Original  
Date: March 4, 2015

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Bill Summary: This proposal requires all employers and business entities to enroll and actively participate in a federal work authorization program and imposes stricter penalties for employing an unauthorized alien.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(Unknown - More than \$156,573)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Unknown - More than \$156,573)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<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 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Labor and Industrial Relations**, the **Office of the Secretary of State**, the **Joint Committee on Administrative Rules**, **Office of Administration - Division of General Services** and the **City of Columbia** each assume the proposal will have no fiscal impact on their respective organizations.

Officials at the **Office of Administration's Division of Personnel** assume the state agencies have been enrolled and actively participating in the program since January 2009; therefore this proposal would not impact the state.

If an entity deducts from income and business taxes, the costs incurred for participating in federal work authorization programs, it will reduce total state revenue.

Officials from the **Department of Revenue (DOR)** assume this legislation proposes that any costs incurred by a business entity for participating in a federal work authorization program may be deducted from the business entity's income or business taxes in this state.

DOR officials state the deduction may be reflected on the MO-1040 form depending on how the business is taxed. Personal Tax will require one Revenue Processing Technician I (Range 10, Step L) and will require form and programming changes to allow for the deduction.

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

ITSD-DOR will require 2,087.64 hours to have a file of these accounts go through the system similar to the sales tax revocations because of a withholding tax delinquency and to create a new deduction on corporate and individual returns at a cost of \$156,573.

**Oversight** assumes that since the E-Verify program is free to use and the penalties are high for not using it, employers will comply with the law and few penalties will be assessed. Since the cost incurred by businesses to use the program is unknown, Oversight will show an unknown loss to the General Revenue fund to reflect potential business entity's income or business tax deductions. Oversight will also use the ITSD cost provided by DOR in FY 2016 only.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>GENERAL REVENUE</b>			
<u>Cost - DOR</u> ITSD software and programing cost	(\$156,573)	\$0	\$0
<u>Loss - DOR</u> Income or business tax deductions for participated in the program	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>(Unknown - More than \$156,573)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

Small businesses that violate this proposal would be fiscally impacted.

FISCAL DESCRIPTION

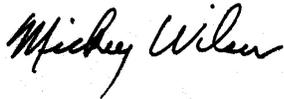
Currently, only public employers are required to enroll and actively participate in a federal work authorization program. This bill requires all employers and business entities, whether public or private, to enroll and actively participate in a federal work authorization program and imposes stricter penalties for employing an unauthorized alien.

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

L.R. No. 0415-01  
Bill No. HB 126  
Page 5 of 5  
March 4, 2015

SOURCES OF INFORMATION

Department of Labor and Industrial Relations  
Office of Administration  
Office of the Secretary of State  
Joint Committee on Administrative Rules  
Department of Revenue



Mickey Wilson, CPA  
Director  
March 4, 2015

Ross Strobe  
Assistant Director  
March 4, 2015