

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4717-01
Bill No.: HB 1741
Subject: Employees - Employers; Federal - State Relations
Type: Original
Date: February 22, 2016

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

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$314,996)	(More than \$45,497)	(More than \$45,867)
Total Estimated Net Effect on General Revenue	(\$314,996)	(More than \$45,497)	(More than \$45,867)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

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 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Revenue (DOR)** assume this proposal would have a negative fiscal impact on their organization.

Section 285.530

The proposal modifies this section to remove the provision, “Any entity contracting with the state or any political subdivision of the state shall only be required to provide the affidavits required in this subsection to the state and any political subdivision of the state with which it contracts, on an annual basis.” The proposal requires an employer or business entity to verify employment eligibility.

Section 285.535

If the court finds that a business entity violated Subsection 285.530.1, the court shall impose the following penalties:

First violation of Section 285.530: suspension of all licenses held by the business for at least one day and up to 30 days;

Second violation of Section 285.530: suspension of all licenses held by the business for at least 30 days but not more than one year;

Third violation of Section 285.530: permanent suspension of all licenses held by the business plus revocation of the business’ registration as a corporation, limited liability company, or limited partnership in Missouri, if applicable.

The proposal marks Subdivisions 6 through 8 for deletion from the section. Additionally, businesses participating in the federal work authorization program may deduct costs incurred by the business for participating in the program from the business’ income or business taxes.

Administrative Impact:

DOR requires form changes and programming to implement the provisions of this proposal.

Personal Tax:

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

ASSUMPTION (continued)

Integrated Tax System:

To implement this proposal, the Integrated Tax System requires updates to reflect the changes at a cost of \$271,393.

Officials at the **Office of Administration - Personnel** assume this proposal would affect all state agencies and political subdivisions. State agencies have been enrolled and actively participating in a federal work authorization program (E-Verify) since January 2009. Therefore, we assume any impact can be absorbed using existing resources.

§ 285.530.13 of this proposal provides that “any costs incurred by the 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.” This allowance may cause a decrease in tax collections, thus reducing state revenue.

Office of Administration - Personnel assume any costs associated with this proposal could be absorbed using existing resources.

Officials at the **Office of Administration - Budget and Planning (BAP)** assume this proposal would affect total state revenue and impact the calculation under Article X, Section 18 (e); however, there is not enough available data for BAP to estimate the potential impact.

Officials at the **Department of Conservation, Department of Transportation, Office of Attorney General, Office of State Courts Administrator, Office of Secretary of State, and Department of Labor and Industrial Relations** each assume this proposal would not have a fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Loss - Total State Revenue</u>			
Business Income Taxes - deduction for costs incurred participating in federal work authorization program §285.535.13	\$0	(Unknown)	(Unknown)
<u>Costs - Department of Revenue</u>			
Personnel - Revenue Processing			
Technician I	(\$22,210)	(\$26,919)	(\$27,188)
Fringe Benefits	(\$14,478)	(\$17,446)	(\$17,520)
Programming	(\$271,393)	\$0	\$0
Equipment and Expenses	(\$6,915)	(\$1,132)	(\$1,159)
<u>Total Costs - Department of Revenue</u>	<u>(\$314,996)</u>	<u>(\$45,497)</u>	<u>(\$45,867)</u>
FTE Change - Department of Revenue	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$314,996)</u>	<u>(More than \$45,497)</u>	<u>(More than \$45,867)</u>
NET FTE CHANGE ON DEPARTMENT OF REVENUE	1 FTE	1 FTE	1 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal would have a negative fiscal impact on small businesses based on any compensation provided to an unauthorized worker would not be eligible as a business expense deduction from their income or business taxes.

FISCAL IMPACT - Small Business (continued)

However, this proposal would have a positive fiscal impact on small businesses based on it authorizes a business entity to deduct the costs incurred from participation in a federal work authorization program from the business entity's state income or business taxes; however, participation in the federal E-Verify is currently free.

FISCAL DESCRIPTION

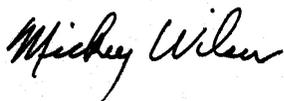
This bill sets out the provisions regarding the prohibition for any public or private employer or business entity to knowingly hire or continue to employ unauthorized aliens. Currently, the provisions of this bill apply to public employers. This bill changes the provisions to apply to public and private employers and business entities.

This bill specifies certain penalties for the first, second, and third violation of the provisions of this bill. This bill has a delayed effective date of January 1, 2017.

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 Labor and Industrial Relations
Office of Administration - Personnel
Office of Administration - Budget and Planning
Department of Transportation
Department of Conservation
Attorney General's Office
Office of State Courts Administrator
Office of Secretary of State
Department of Revenue



Mickey Wilson, CPA
Director
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Ross Strobe
Assistant Director
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