

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5641-01  
Bill No.: HB 2033  
Subject: Boards, Commissions, Committees, and Councils; Tax Credits; Taxation and Revenue - General  
Type: Original  
Date: January 25, 2016

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Bill Summary: This proposal modifies provisions relating to the Small Business Regulatory Fairness Board and authorizes a tax credit for certain small businesses.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0 to (\$1,090,617)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 to (\$1,090,617)</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<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 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</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 2017</b>	<b>FY 2018</b>	<b>FY 2019</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 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

**Oversight** was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Officials at the **Department of Economic Development (DED)** assume DED's interpretation of the proposed legislation would authorize the Small Business Regulatory Fairness Board to issue two different tax credits to qualified small businesses.

§135.1905.2 authorizes the board to issue a one-time tax credit to a qualified small business "per regulation review" "in an amount equal to the demonstrated cost of regulatory compliance, but not to exceed \$250 per employee and \$25,000 per small business." The total amount authorized under this section shall not exceed \$1 million.

§536.323.7 authorizes an additional tax credit if the board determines that the petitioning small business has been unfairly burdened. The board may award a one-time tax credit to offset the regulatory burden.

Further, DED will need 1 FTE Economic Development Incentive Specialist III (at \$52,092 per year) to administer the tax credit program.

DED determines that the negative fiscal impact for the tax credit authorized under §135.1905.2 will be \$1,000,000 per year. For the second tax credit authorized under §536.323.7 the negative fiscal impact is potentially unlimited.

**Oversight** assume the duties outlined in this proposal can be handled with current staff. Should DED see an increase in applications to justify additional FTE, they can seek those FTE through the appropriation process.

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal would create a qualified small business tax credit that may be issued to small businesses as a one-time credit against their tax liability in the amount equal to their cost of compliance with regulations. The tax credits are capped at \$1,000,000 annually, and issued on a first-come, first-serve basis. This proposal could therefore reduce General and Total State

ASSUMPTION (continued)

Revenues by this amount annually.

Officials at the **Department of Revenue (DOR)** assume this legislation provides qualified small businesses a tax credit of \$250 per employee up to \$25,000 per qualified business for the cost of regulatory compliance. The credit is based on a first-come, first-served basis and the bill caps the credit at one million dollars.

The Department requires form changes and programming to implement this legislation at a cost of \$75 per hour for 335.88 hours for a total cost of \$25,191. The integrated tax system incurs additional costs of \$65,426 to implement the provisions of this legislation. DOR estimates a total of \$90,617 in computer programming costs.

Personal Tax requires one (1) Revenue Processing Technician I for every 4,000 credits claimed. Corporate Tax requires One (1) Revenue Processing Technician I per 4,000 tax credits redeemed.

**Oversight** assumes the duties outlined in this proposal can be handled by current staff. Should DOR see an increase in redemptions to justify additional FTE, they can seek those FTE through the appropriation process.

**Oversight** assumes the \$1,000,000 cap of tax credits that can be issued is a cumulative limit, not an annual limit. Therefore, Oversight will show the full \$1,000,000 impact in FY 2017.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>GENERAL REVENUE</b>			
<u>Revenue Reduction</u> - creation of Small Business Regulatory Fairness Board tax credit §135.1905.2	(\$1,000,000)	\$0	\$0
<u>Cost</u> - DOR - computer programming	(\$90,617)	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0 to <u>(\$1,090,617)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<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

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

FISCAL DESCRIPTION

This bill changes the laws regarding the Small Business Regulatory Fairness Board and authorizes a one-time income tax credit for certain small businesses that the board determines have been unfairly burdened. The board can issue a tax credit equal to the demonstrated cost of regulatory compliance up to \$250 per employee but not more than \$25,000 per business. The tax credit cannot be refunded, carried over or back, transferred, sold, or assigned. The total amount of tax credits authorized cannot exceed \$1 million and must be issued on a first-come, first-served basis.

The bill changes the membership of the nine-member board to: three members appointed by the Speaker of the House of Representatives, three members appointed by the President Pro Tem of the Senate, and three members appointed by the Governor. The board must also review petitions filed by small businesses; authorize and issue the tax credits; and submit an annual report to the Governor and General Assembly detailing the number of petitions received, number and amount of credits issued, comments from small businesses, responses from state agencies, a summary of public testimony on rules brought before the board for consideration, and any other additional information the board thinks should be included.

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

Office of Administration's Division of Budget and Planning  
Department of Economic Development  
Department of Revenue



Mickey Wilson, CPA  
Director  
January 25, 2016

Ross Strobe  
Assistant Director  
January 25, 2016