

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4830-01  
Bill No.: HB 2045  
Subject: Banks and Financial Institutions; Corporations; Sales Tax Commission; Taxation and Revenue - General and Income  
Type: #Corrected  
Date: May 1, 2002  
 #Corrected to expand the assumption by adding an explanation of the effect of this legislation.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue Fund*	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(UNKNOWN)</b>	<b>(UNKNOWN)</b>	<b>(UNKNOWN)</b>

\*Could exceed \$100,000, annually.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
<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 LOCAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
 This fiscal note contains 4 pages.

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume this legislation allows shareholders of an out-of-state bank to take an income tax credit for the bank tax paid by the out-of-state bank to another bank. Currently, Missouri statute only allows credit for Missouri bank tax paid by Missouri banks. There is no administrative impact to the DOR.

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Because tax issues have a direct impact on the state budget, DOR assumes the Office of Administration, Budget and Planning will estimate the revenue impact. However, the DOR anticipates that this legislation will result in a reduction of revenues.

Officials from the **Office of Administration, Budget and Planning (BAP)** assume the proposed legislation should not result in additional costs or savings to BAP. BAP defers to the DOR for a tax revenue estimate.

Officials from the **Department of Economic Development (DED)** state this bill will not affect the Division of Finance and the Division of Credit Unions. It is a revenue issue that changes provisions relating to Sub-S Corporation shareholders and income taxes.

Officials from the **Missouri Tax Commission** and the **Secretary of State** assume this proposal would not fiscally impact their agencies.

**#Oversight** assumes this legislation would allow a Missouri resident S shareholder to receive the pro-rata share of net tax paid to the other state for an out-of-state bank as a credit against the shareholder's personal income tax return. This credit would be in addition to any credit for individual income tax paid to the other state.

Oversight assumes if the other state's tax rate is lower than Missouri's individual income tax rate, the revenue loss would be equal to the difference between the other state's tax rate and Missouri's tax rate. For example, if the other state's rate is 4%, then the expected loss for this credit would be 2% of the shareholder's pro-rata share of the S Corporation's taxable income.

Since the number of out-of-state S corporations with Missouri shareholders is unknown, as well as the amount of taxes paid to other states by S corporations with Missouri shareholders, Oversight assumes the revenue loss for this tax credit would be unknown, could exceed \$100,000 annually.

**This legislation could reduce Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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**GENERAL REVENUE FUND**

<u>Loss - General Revenue Fund</u> Out-of-state bank tax credit for S-Corp shareholders	(Unknown)	(Unknown)	(Unknown)
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<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*</b>	<b><u>(UNKNOWN)</u></b>	<b><u>(UNKNOWN)</u></b>	<b><u>(UNKNOWN)</u></b>
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**\*Could exceed \$100,000, annually.**

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

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

DESCRIPTION

This bill allows Missouri resident S shareholders of out-of-state banks chartered by a state, the Office of Thrift Supervision, or the comptroller of currency to qualify for the shareholder's pro rata share of any net tax paid, including certain bank franchise taxes, for purposes of claiming an income tax credit for taxes paid to another state.

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

KS:LR:OD (12/01)

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Department of Revenue  
Office of Administration  
Budget and Planning  
Missouri Tax Commission  
Department of Economic Development  
Secretary of State

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Acting Director  
May 1, 2002