

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5021-02
Bill No.: HB 2166
Subject: Employees - Employers; Employment Security; Taxation and Revenue - General
Type: Original
Date: March 18, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None *			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0*	\$0*	\$0*

***Does not reflect potential loss of federal administrative grants due to possible noncompliance with federal law.**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Labor and Industrial Relations** note on December 21, 2000, the President signed the Consolidated Appropriations Act (CAA) into law which amended Federal law to change the way American Indian tribes are treated under the Federal Unemployment Tax Act (FUTA). Specifically, Indian tribes must be treated similarly to State and local governments. Tribes must now be offered the reimbursement option for financing unemployment insurance (UI). Prior to the CAA amendments, States were prohibited from offering the reimbursement option to Indian tribes. Instructions issued by the United States Department of Labor provide, "States with 'Indian tribes,' as defined by the CAA amendments, within their state boundaries must amend their laws to implement the requirement created by the CAA." Employees of an out-of-state company owned by a federally recognized Indian tribe began working in Missouri during 2001. Wages earned by these employees are subject to Missouri law, which does not currently allow the Division of Employment Security (DES) to meet the federal requirements. If Missouri law does not conform with Federal law the result could be a loss of certification for FUTA credits which could cost Missouri employers as much as \$992 million annually and the DES an estimated \$40 million annually in administration funds from the Federal government.

Oversight assumes that any loss of federal funds would depend upon determination of a nonconformity/noncompliance by the U. S. Department of Labor and the imposition of sanctions by the U. S. Department of Labor. The likelihood of such sanctions would be speculative. For fiscal note purposes, no impact to federal funds is reflected.

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

*** DOES NOT REFLECT POTENTIAL LOSS OF
FEDERAL ADMINISTRATIVE GRANTS DUE TO
POSSIBLE NONCOMPLIANCE WITH FEDERAL
LAW.**

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

FISCAL IMPACT - Small Business

No direct fiscal impact to small business would be expected as a result of this proposal, depending upon conformity with federal law and any sanctions imposed by the U. S. Department of Labor. However, this proposal could cause an additional tax on businesses to cover Federal Unemployment Tax Act moneys that would no longer come to the state.

DESCRIPTION

This proposal treats Indian tribes like any other employer for the purposes of unemployment reimbursement, requiring them to either pay contributions or make payments in lieu of contributions.

According to the Department of Labor and Industrial Relations this proposal is federally mandated as a result of Section 166 of the Community Renewal Tax Relief Act of 2000 as enacted by the Consolidated Appropriations Act, 2001(CAA), PL 106-554 requires States to make certain provisions for businesses solely owned by federally recognized Indian Tribes.

This legislation 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



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