

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1980-06  
Bill No.: SCS for HCS for HB 600  
Subject: Taxation and Revenue - General, Income, Sales and Use; Gambling; Professional Licenses; Retirement Systems and Benefits; Judges  
Type: Original  
Date: April 22, 2003

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue*	\$437,872,134 to Unknown	\$660,424,790 to Unknown	\$679,923,427 to Unknown
<b>Total Estimated Net Effect on General Revenue Fund**</b>	<b>\$437,872,134 to UNKNOWN</b>	<b>\$660,424,790 to UNKNOWN</b>	<b>\$679,923,427 to UNKNOWN</b>

\* This proposal is permissive. Voter approval would be required before fiscal impact would be realized.

\*\*Assumes Unknown revenues exceed Unknown costs.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Road Fund	\$28,900,000	\$44,500,000	\$45,800,000
Various State Funds	Unknown	Unknown	Unknown
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$28,900,000 to UNKNOWN</b>	<b>\$44,500,000 to UNKNOWN</b>	<b>\$45,800,000 to UNKNOWN</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 16 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</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 LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Local Government*</b>	<b>UNKNOWN</b>	<b>UNKNOWN</b>	<b>UNKNOWN</b>

\*Assumes Unknown revenues will exceed Unknown losses.

### FISCAL ANALYSIS

#### ASSUMPTION

Officials of the **Missouri Gaming Commission, Missouri House of Representatives, Office of the Governor, Missouri State Senate,** and the **Missouri Ethics Commission** assume this legislation makes several changes to the sections relating to taxation. These agencies assume this legislation would not fiscally impact their respective agencies.

Officials of the **Office of Administration (COA), Division of Purchasing** assume this bill changes a variety of tax laws. The revenue impacts are best estimated by the Department of Revenue and other agencies directly affected. The provision of the bill that requires each state department to ensure all employees are in compliance with all state tax laws could result in some cost to the COA.

COA assumes this legislation would apply to all contracts awarded by the Division of Purchasing. COA requests one additional FTE – a Buyer III position to handle the additional workload created by this proposal and to ensure all additional requirements are met.

COA assumes the election costs for the special election would be approximately \$4 million.

**Department of Conservation (MDC)** officials state this proposal makes several changes to several sections relating to taxation. This proposal, upon approval of Missouri voters, could have

ASSUMPTION (continued)

a fiscal impact on MDC because of administrative costs in complying. MDC also assumes an impact upon its revenue collections due to a change in tax rates. MDC assumes the impact would be minimal.

**State Treasurer (STO)** officials assume this proposal makes various changes relating to taxation:

- Makes lottery and gaming winnings in the state part of Missouri adjusted gross income for tax purposes.
- Allows Office of the State Courts Administrator to participate in the debt offset program on behalf of the court of a political subdivision.
- Creates an escrow account within the treasury (Section 488.5028.5) for the deposit of income tax refunds intercepted. The STO assumes this is the debt offset escrow fund already established within the treasury.
- Adds language that business licenses and permits may not be renewed unless verification from DOR is received that state tax returns have been filed and all state taxes, interest and penalties have been paid.
- Requires that all employees of the state, and state contractors file state tax returns and pay all taxes owed.
- Requires that the tax status of all employees of the state, all members of the general assembly, all elected officials, every elected or appointed member of the judicial branch have their tax status reviewed annually to ensure they have filed state tax returns and paid all taxes owed.
- Requires that no professional license or permit pursuant to Chapter 324 - 326 be renewed without verification from DOR that state tax returns have been filed and all state taxes have been paid.
- Allows DOR to prescribe the use of electronic fund payment systems for withholding taxes for quarter-monthly filers.

No impact to the STO.

ASSUMPTION (continued)

Officials from the **Department of Transportation (MoDOT)** assume this proposal increases the motor vehicle sales and use tax rates by 1%. This would generate additional revenue for the Road Fund to be used for highway and transportation purposes of \$77.6 million in FY04, \$80 million in FY05, and \$82.4 million in FY06.

MoDOT assumes this legislation would also require every vendor or affiliate of a vendor seeking to contract to provide goods and services to the State of Missouri to collect and pay all sales and use taxes, modifies various provisions relating to state income taxes, allows the state courts administrator to reduce an individual's income tax refund by any outstanding court debts greater than \$25, states that State of Missouri employees must file and pay all state taxes as a condition of employment, and states that no person shall receive or renew professional licenses unless all state tax returns have been filed and all state income taxes paid.

MoDOT assumes the effective date for this proposal is July 1, 2003 and the motor vehicle sales tax growth rate is 3%. MoDOT assumes this proposal would generate additional revenue for highway and transportation purposes beyond the initial three year period, as follows: \$113 million in FY07, \$116.5 million in FY08, \$120 million in FY09, \$123.6 million in FY10, \$127 million in FY11, and \$131 million in FY12.

MoDOT assumes no fiscal impact for Section 34.040 related to vendor or affiliates of a vendor required to be current on all payments of sales and use taxes, Section 143.181 related to the adjusted gross income calculations, and Section 488.5028 related to outstanding court debts.

However, the provisions that would require MoDOT to verify that employees are current in the filing of their Missouri tax forms and all taxes are paid could require additional staff in the future if the workload becomes too large. At this time, MoDOT is assuming that this workload can be absorbed by existing staff.

Officials from the **Missouri Lottery Commission (LOT)** assume this proposed legislation does not have a fiscal impact on the LOT. The LOT currently withholds Missouri state taxes from winnings over \$599 from out-of-state residents.

Officials from the **State Courts Administrator (CTS)** state there are currently \$23.4 million unpaid fines, fees and costs on criminal cases. However, CTS has no way of knowing how many fines, fees and costs will be collected as a result of refund offsets. CTS assumes since the interest earned on the funds realized is to be used to pay the offset administrative costs of this proposal, then no costs would be incurred by CTS for this proposal.

ASSUMPTION (continued)

CTS assumes the refund offset funds will be distributed to various funds as required by statute.

Officials from the **Attorney General's Office (AGO)** assume this proposal would prohibit the Office of Administration from entering into contracts with businesses that do not collect taxes pursuant to Chapter 144. AGO assumes the Office of Administration and the Department of Revenue would adjust contracts and monitor compliance appropriately, but that the proposal would result in additional litigation from those seeking to do business with the state. The proposal also effectively requires agencies to terminate employees for non-payment of taxes. AGO assumes this would result in additional employment litigation. The proposal also prohibits the professional boards from issuing or renewing licenses to individuals with unpaid taxes. Again, AGO assumes this would result in additional licensing litigation. Finally, various provisions of the bill could result in additional collection litigation on behalf of DOR. Based on the assumption that the vast majority of contractors, state employees and licensees pay their taxes, AGO assumes costs could be absorbed with existing resources; but because a significant increase in activity in any of these areas would require additional staffing, cost of this proposal is UNKNOWN (potentially in excess of \$100,000).

Officials of the **Department of Revenue (DOR)** state this legislation makes the following changes:

Section 143.124.10 (Pension Exemption) - Clarifies that pension benefits must be included in federal adjusted gross income in order to deduct those benefits through the pension exemption. Currently taxpayers that have railroad retirement benefits can subtract their retirement benefits from their adjusted gross income on their Missouri income tax return and also deduct those benefits again through the pension exemption. This legislation will eliminate deducting the benefits twice, except for persons who are 100% disabled, who will still be able to take both a subtraction and a pension exemption for certain (railroad) retirement benefits;

Section 143.181 (Gambling Winnings) - Requires all lottery and other gaming winnings to be included in Missouri nonresident adjusted gross income when the winnings are from a Missouri source;

Section 143.225.9 (Electronic Payments, Withholding Tax) - Allows the Director to authorize electronic payments for businesses required to submit their withholding tax payments quarterly (weekly). Electronic payments speed up the processing time and improve the state's cash flow and interest earnings;

ASSUMPTION (continued)

Section 144.081.9 (Electronic Payments, Sales Tax) – Allows the Director to authorize electronic payments for businesses required to submit their sales tax payments quarter-monthly (weekly). Electronic payments speed up the processing time and improve the state’s cash flow and interest earnings;

Section 143.1020 (Designation of Refunds) - Allows individuals or corporations entitled to a refund to designate all or part of the refund to General Revenue;

Section 144.020.3 (1% General Sales Tax) - Increases the sales tax rate by 1%.

Section 313.826 (Gambling Withholdings) - Requires excursion gambling boats to withhold taxes on any winnings exceeding \$600. The withholding will equal 4% of the total winnings.

Section 488.5028.1 – Authorizes debt offsets of income tax refunds for delinquencies in excess of \$25 to the Office of State Court Administrators;

Section 1 (Tax Clearances) - Requires as a condition of employment with the executive, legislative and judicial branches of state government that all state taxes due be filed and paid by the employee;

Section 2 (Tax Clearances) - Requires the revocation of any professional license granted by the state if the applicant does not file or pay state taxes within 30 days of the renewal; and

Section B - Emergency Clause

Section C - Sends all provisions of the bill to a vote of the people.

Administrative Impact:

Section 143.181 (Gambling Winnings)– This legislation will have no additional impact to DOR.

Section 143.124.10 (Pension Exemption) - DOR assumes no additional impact.

Section 143.1020 (Designation of Refunds) – DOR assumes an emblem can be placed on the front of the return and a line will be placed with the refund total to allow for the taxpayer to designate the amount of the refund. Adding a line will impact the MINITS system, which is estimated to take 1,730 hours of programming and testing, at a cost of \$57,713.

ASSUMPTION (continued)

Section 143.225.9 (Electronic Payments) - DOR is currently set up to receive electronic payments. Therefore, there is no administrative impact to DOR.

Section 144.020 (1% Sales Tax Increase) - DOR will do a statewide mailing to approximately 150,000 sales and use tax accounts, notifying them of the rate increase (150,000 mailings at .37 = \$55,500 in postage). MITS will need modification to handle the rate increase. DOR estimates that 692 hours of programming will be needed for a cost of \$23,085.

Section 488.5028.1 (Debt Offsets) – MINITS programming will be needed to allow for the electronic match of the tapes and for the production of the letters. DOR estimates that 346 hours of programming will be needed at a cost of \$11,543. DOR will need postage for the mailing of the letters, but the costs are UNKNOWN.

Sections 1-3 (Tax Clearances) – This legislation will require a tax clearance from DOR. DOR intends to work with the other state agencies in order to provide a list of delinquent employees, business license applicants or professional licenses applicants through a tape match. DOR assumes the other state departments will provide DOR with a list of names and social security numbers of individuals, and DOR will run those names against the income tax system in order to provide a list of delinquent taxpayers. However, for new employees or professional license applicants, DOR intends on providing a new internet based system that will allow other agencies and local governments to verify quickly that an applicant has complied with all state tax filings and payments. DOR estimates this system will include a MINITS Interface (3 programmers for 3 months or \$51,942) and a WEB-Based Application (5 weeks of programming or 200 hours - \$6,672).

Revenue Impact:

Section 143.1020 (Designation of Refunds) – DOR does not have data to estimate the number or dollar amount of refunds that will be designated to General Revenue and therefore anticipates the revenue impact to be an UNKNOWN increase in General Revenue.

Section 143.124.10: In a previous fiscal note filed in March 2000 (SB 992, LR 4415-01), Oversight estimated the revenue impact at \$1.6 million. Therefore, DOR assumes the revenue impact somewhere between \$1.6 to \$2 million. This legislation will require verification that the taxpayer is 100% disabled. DOR does not anticipate that the number of 100% disabled persons receiving railroad retirement benefits will be significant enough to request additional FTE. Therefore, no administrative impact to DOR.

ASSUMPTION (continued)

Section 143.181 (Gambling Winnings) – According to the gaming commission, there is \$110 million of nonresident casino winnings paid out in Missouri. Therefore, with a 6% tax rate, the increase in revenues totals \$6.6 million.

Section 144.020.3 (1% General Sales Tax) - DOR assumes BAP will estimate the revenue impact.

Section 488.5028.1 (Debt Offsets) – DOR assumes the State Court Administrators Office will supply the revenue impact.

Section 1 (Tax Clearances) - DOR anticipates an UNKNOWN increase in revenues.

Section 2 (Tax Clearances) – Michigan, who issues 700,000 professional licenses, began requiring compliance with professional licenses and reportedly brought in \$20 million. DOR assumes that because Missouri issues half of the licenses Michigan does (approximately 350,000), then Missouri would generate approximately half of the revenue (\$10 million).

**Oversight** assumes the revenue impact of \$10 million would occur only for FY04 and a lower unknown amount of revenue would be generated thereafter.

Section 143.225.9: If mandated electronic withholding tax quarter-monthly payments were implemented, the Cashiering Section estimates payments would be deposited into the bank two days sooner. The state would earn an additional \$1,011,478 in interest annually based on the following assumptions:

**Withholding Quarter-Monthly:**

Annual # W/H qtr-monthly due dates	48
# days processing	<u>x 3</u>
Total Days	144

FY02 W/H qtr-monthly collections	\$2,326,721,487
Deposit days	/ 144
Ave. daily bank deposit	\$ 16,157,788
Annual rate of return	x 3.13% (ave. FY02)
# days faster deposit	<u>x 2</u>
Additional Interest Eamed Annually	\$ 1,011,478

**Oversight** assumes the annual rate of return should be reduced to 2.28%, based on the average daily earnings rate (as of April 15, 2003) provided by the Office of the State Treasurer.

ASSUMPTION (continued)

Therefore, **Oversight** assumes the additional interest earned annually would be \$736,795.

**Oversight** assumes the revenue impact of electronic withholding tax quarter-monthly payments for FY04 would be reduced to \$613,996 since only ten months would be available for the additional interest earnings to allow time for DOR to notify employers.

Section 144.081.9 (Electronic Payments - Sales Tax) - If mandated electronic quarter-monthly sales tax payments were implemented, the Cashiering Section estimates payments would be deposited into the bank two days sooner. The state would earn an additional \$332,925 in interest annually based on the following assumptions: (Personal service cost savings would be minimal.)

**Sales Quarter-Monthly:**

Annual # QMATS due dates	48
# days processing	<u>x 3</u>
Total Days	144
FY02 QMATS collections	\$765,834,318
Deposit days	/ 144
Ave. daily bank deposit	\$ 5,318,294
Annual rate of return	x 3.13% (ave. FY02)
# days faster deposit	<u>x 2</u>
Additional Interest Eamed Annually	\$ 332,925

**Oversight** assumes the annual rate of return should be reduced to 2.28%, based on the average daily earnings rate (as of April 15, 2003) provided by the Office of the State Treasurer. Therefore, **Oversight** assumes the additional interest earned annually would be \$242,514.

**Oversight** assumes the revenue impact of electronic sales tax quarter-monthly payments for FY04 would be reduced to \$202,095 since only ten months would be available for the additional interest earnings to allow time for DOR to notify businesses. **Oversight** has reduced the amount requested for postage to reflect the bulk mailing rate.

Officials of the **Office of Administration, Division of Budget and Planning (BAP)** assumes this substitute purports to increase the state sales tax from four to five percent for three years. BAP's estimate is based on the following assumptions:

1. The sales tax base is the base used for the Consensus Revenue forecast for FY 2004 and is increased by 3.0% for FY 2005 and FY 2006.

ASSUMPTION (continued)

2. The increase gains voter approval in August and becomes effective on October 1, 2003.
3. There is a one month lag from the effective date and the start of enhanced collections. Thus FY 2004 would realize two-thirds of a full year's collections.
4. The Motor Fuel Tax Fund will receive one-half of the increased motor vehicle sales tax.

BAP assumes a revenue increase in the General Revenue Fund of \$423.4 million for FY04, \$650.9 million in FY05, and \$670.4 million in FY06. Also, BAP assumes a revenue increase in the Motor Fuel Tax Fund of \$28.9 million for FY04, \$44.5 million for FY05, and \$45.8 million for FY06.

In response to SB 11 from this session, BAP states that currently taxpayers that have Railroad Retirement Benefits can subtract their retirement benefits from their adjusted gross income on their Missouri income tax return. These same taxpayers may currently also take the pension exemption on the Missouri income tax return. This proposal does not allow the pension exemption for Railroad Retirement Benefits, because they are already excluded from adjusted gross income. This would eliminate deducting the benefits twice.

BAP assumes this portion of the proposal would generate a \$2 million savings to General Revenue.

**Oversight** assumes DOR could have a slight increase in workload, however the increase is not expected to be enough to show a cost for additional FTE. **Oversight** assumes the revenue impact for the pension exemption estimate would grow only slightly each year however, **Oversight** assumes the amount of 100% disabled railroad retirees' pensions is a small unknown and will show the revenue impact for this portion of the proposal as \$2 million annually, as provided by BAP.

Officials of the **Department of Economic Development (DED)** assume the bill addresses some sales and use tax provisions which would have no impact on DED other than DED would have to insure that vendors used for purchasing of goods or services had paid all tax due to the state. DED assumes that DOR or COA would provide information to insure that vendors were or were not in compliance. Section 2 deals with checking once per year to see if state employees have paid applicable individual income tax. Again, DED assumes that DOR will check a list of employees to see if they are in compliance. DED would have to rely on DOR to work out issues identified in the annual check on employees.

ASSUMPTION (continued)

Since most checking on businesses and individuals would have to be done by other state entities, DED assumes no impact. If this interpretation is incorrect, DED may need to request FTE and/or expenses, at a later date.

Officials of the **Department of Economic Development - Division of Professional Registration** assume this legislative proposal requires the Division of Professional Registration to receive verification from the Department of Revenue that state tax returns have been filed and that all state taxes, including any interest and penalties, have been paid within thirty days of issuing or renewing a professional license or permit.

Pursuant to conversations with the Department of Revenue, DED assumes that the Division of Professional Registration will provide the Department of Revenue with a listing of all licensees for each renewal cycle. DED assumes that this will be done by a computerized tape in which DOR can match by social security number for each licensee. DED assumes that for initial licensure that the Division of Professional Registration will utilize DOR's internet site to verify the applicants tax status. Based on these assumptions, DED is of the opinion that this legislation in its present form, possibly has an unknown fiscal impact to the Division of Professional Registration. Also, if the Division's computer system is not compatible with DOR or if additional computer equipment is needed in order to link, additional appropriation authority may be required in order to implement this proposal. DED assumes the fiscal impact of this substitute would be \$0 to unknown. Note: The Division of Professional Registration currently has over 400,000 licensees.

Officials from the **Department of Agriculture** did not respond to our fiscal note request.

Since this legislation is subject to voter referendum, **Oversight** assumes the one percent sales tax increase would have no state fiscal impact without voter approval. The proposal would be on the ballot for the July or August 2003 special election. If approved by voters, **Oversight** assumes this proposal would not be effective until after a one month lag to allow for DOR notification to businesses. Also, **Oversight** assumes the sales tax increase would increase General Revenue Funds only.

**This legislation will increase Total State Revenue.**

FISCAL IMPACT - State Government                      FY 2004                      FY 2005                      FY 2006

**GENERAL REVENUE FUND**

Income - General Revenue

Refund contributions	Unknown	Unknown	Unknown
Reduction in pension exemptions	\$2,000,000	\$2,000,000	\$2,000,000
Electronic sales/use tax payments	\$202,095	\$242,514	\$242,514
Electronic withholding payments	\$613,996	\$736,795	\$736,795
Nonresident casino winnings	\$6,600,000	\$6,600,000	\$6,600,000
Fines and costs on criminal cases offset	Unknown	Unknown	Unknown
Increase in tax compliance from tax clearances to issue/renew bus licenses	Unknown	Unknown	Unknown
Increase in tax compliance from tax clearances on employees	Unknown	Unknown	Unknown
Increase in tax compliance from tax clearances to issue/renew prof licenses	\$10,000,000	Unknown	Unknown
1% increase in sales tax*	<u>\$423,400,000</u>	<u>\$650,900,000</u>	<u>\$670,400,000</u>
Total Income - GR	\$442,816,091 to UNKNOWN	\$660,479,309 to UNKNOWN	\$679,979,309 to UNKNOWN

\* This proposal is permissive. Voter approval would be required before fiscal impact would be realized.

Cost - Department of Revenue

Programming (Sec. 488.5028.1)	(\$11,543)	\$0	\$0
Programming (Sec. 143.1020)	(\$57,713)	\$0	\$0
Programming (Sec. 144.020)	(\$23,085)	\$0	\$0
Postage (Sec. 144.020)	(\$40,200)	\$0	\$0
Programming (tax clearances, Sec 1-3)	(\$51,942)	\$0	\$0
WEB-Based Application (Sec. 1-3)	<u>(\$6,672)</u>	<u>\$0</u>	<u>\$0</u>
Total Cost - DOR	(\$191,155)	\$0	\$0

Cost - Office of Administration

Personal Service (1 FTE)	(\$36,732)	(\$38,592)	(\$39,556)
Fringe Benefits	(\$14,865)	(\$15,618)	(\$16,008)
Expense and Equipment	(\$4,205)	(\$309)	(\$318)
Special Election	<u>(\$4,000,000)</u>	<u>\$0</u>	<u>\$0</u>
Total Cost - COA	(\$4,055,802)	(\$54,519)	(\$55,882)

<u>FISCAL IMPACT - State Government</u>	FY 2004	FY 2005	FY 2006
<u>Cost - Dept. of Economic Development</u>			
Tax clearance expenses for Professional Licenses	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Cost - Secretary of State</u>			
Newspaper Advertisements	(\$697,000)	\$0	\$0
<u>Cost - Attorney General</u>			
Litigation expense (tax clearances)	____(Unknown)	____(Unknown)	____(Unknown)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUNDS*</b>	<b><u>\$437,872,134 to UNKNOWN</u></b>	<b><u>\$660,424,790 to UNKNOWN</u></b>	<b><u>\$679,923,427 to UNKNOWN</u></b>
*Assumes Unknown revenues will exceed Unknown costs.			
 <b>ROAD FUND</b>			
<u>Income - Road Fund</u>			
1% Increase in sales tax	<u>\$28,900,000</u>	<u>\$44,500,000</u>	<u>\$45,800,000</u>
<b>ESTIMATED NET EFFECT ON ROAD FUND</b>	<b><u>\$28,900,000</u></b>	<b><u>\$44,500,000</u></b>	<b><u>\$45,800,000</u></b>
 <b>VARIOUS STATE FUNDS</b>			
<u>Income - Various State Funds</u>			
Increase in tax compliance	Unknown	Unknown	Unknown
Fines and costs on criminal cases offset	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS</b>	<b><u>UNKNOWN</u></b>	<b><u>UNKNOWN</u></b>	<b><u>UNKNOWN</u></b>

FISCAL IMPACT - Local Government                      FY 2004                      FY 2005                      FY 2006

**LOCAL GOVERNMENT**

Income - Cities/Counties

Increase in tax compliance	Unknown	Unknown	Unknown
Fines and costs on criminal cases offset	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
Total Income - Cites/Counties	Unknown	Unknown	Unknown

Loss - Cities/Counties

Investment funds service corp license fees	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON**

<b>LOCAL FUNDS*</b>	<b><u>UNKNOWN</u></b>	<b><u>UNKNOWN</u></b>	<b><u>UNKNOWN</u></b>
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\*Assumes Unknown revenues will exceed Unknown losses.

FISCAL IMPACT - Small Business

Small businesses not in compliance with Missouri tax law could be impacted as a result of this proposal. Also, small businesses that file quarter-monthly sales, use or withholding tax could be expected to file electronically as a result of this proposal.

DESCRIPTION

This proposal makes various changes related to taxation. The bill:

- (1) Requires every vendor or affiliate of a vendor seeking to contract to provide goods and services to the State of Missouri to collect and properly pay all sales and use taxes;
- (2) Requires any amount of pension, annuity, or retirement allowance deducted for state individual income tax purposes to be included in the taxpayer's federal adjusted gross income and not otherwise deducted in the calculation of Missouri taxable income. The amendment makes an exception from this section for any 100% disabled individual's retirement;
- (3) Requires all lottery and other gaming winnings to be included in Missouri nonresident adjusted gross income when the winnings are from a Missouri source;
- (4) Allows the Director of Revenue to require the payment of sales and use, and withholding

DESCRIPTION (continued)

taxes on quarter-monthly filers through an electronic funds payment system;

(5) Includes court costs in excess of \$25 related to the State Supreme Court, Court of Appeals, or any circuit court of Missouri as amounts that can be offset against a refund of taxes owed to a taxpayer;

(6) Allows individuals and corporations to designate all or part of their refund to the state General Revenue Fund;

(7) Increases the sales tax rate one percent to a total of five percent for three years;

(8) Requires as a condition of employment with the state government that all state income taxes due be filed and paid by the employee;

(9) Requires all state income taxes due to be paid by members of the General Assembly, statewide elected officials, and members of the judiciary;

(10) Requires a tax clearance for income taxes from the Department of Revenue within thirty days of the issuance or renewal of any professional license granted by the state, or the license shall be revoked;

(11) Requires excursion gambling boats to withhold four percent of winnings over \$600;

(12) Includes investment funds service corporation in the prohibited list for imposition of municipal license tax on business; and

(13) Allows nonresident entities conducting business in Kansas City and St. Joseph to use the apportionment method used to determine Missouri taxable income to determine profits subject to earnings tax.

This legislation contains an emergency clause and a referendum clause.

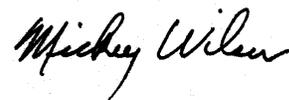
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue  
Office of Administration  
    Division of Budget and Planning  
    Division of Purchasing  
State Treasurer  
Department of Conservation  
Department of Transportation  
Missouri Gaming Commission  
Missouri Lottery Commission  
State Courts Administrator  
Missouri House of Representatives  
Attorney General's Office  
Missouri Ethics Commission  
Missouri State Senate  
Office of the Governor  
Department of Economic Development  
    Division of Professional Registration

NOT RESPONDING: Department of Agriculture

MICKEY WILSON, CPA



DIRECTOR  
APRIL 22, 2003