

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3709-03
Bill No.: Perfected SCS for SB 1085 & 800
Subject: Taxation and Revenue - Income; State Treasurer
Type: Original
Date: March 31, 2004

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|----------------------------|-----------------------------|-----------------------------|
| FUND AFFECTED | FY 2005 | FY 2006 | FY 2007 |
| General Revenue Fund | Unknown to \$37,745 | Unknown to \$100,000 | Unknown to \$100,000 |
| Total Estimated Net Effect on General Revenue Fund | UNKNOWN to \$37,745 | UNKNOWN to \$100,000 | UNKNOWN to \$100,000 |

| ESTIMATED NET EFFECT ON STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2005 | FY 2006 | FY 2007 |
| Various Chronic Illness Related Organization Funds* | \$0 | \$0 | \$0 |
| Total Estimated Net Effect on <u>All</u> State Funds | \$0 | \$0 | \$0 |

*Assumes an unknown amount of contributions distributed to the following chronic illness related organizations annually: the American Cancer Society Heartland Division Fund, the ALS Lou Gehrig's Disease Fund, the American Lung Association of Missouri Fund, the Muscular Dystrophy Association Fund, the Arthritis Foundation Fund, the Gateway Area Diabetes Association Fund, or the National Multiple Sclerosis Society Fund.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2005 | FY 2006 | FY 2007 |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2005 | FY 2006 | FY 2007 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of Administration, Division of Budget and Planning (BAP)** assume this proposal has no impact on BAP. BAP assumes the following: In each tax year beginning January 1, 2004, a taxpayer entitled to a tax refund may designate a portion of that refund go to several newly created chronic illness related funds. This proposal would have a minimal impact on general revenue or total state revenues, based on the fees paid by each fund to DOR. BAP has no basis for estimating the amount of contributions to this fund.

Officials of the **State Treasurer (STO)** assume this legislation:

- Creates the "American Cancer Society, Heartland Division, Inc., Fund" (143.605.6 (1))
- Creates the "ALS Lou Gehrig's Disease Fund" (143.605.6 (2))
- Creates the "American Lung Association of Missouri Fund" (143.605.6 (3))
- Creates the "Muscular Dystrophy Association Fund" (143.605.6 (4))
- Creates the "Arthritis Foundation Fund" (143.605.6 (5))
- Creates the "National Multiple Sclerosis Society Fund" (143.605.6 (6))
- Creates the "Gateway Area Diabetes Association Fund" (143.605.6 (7))

STO assumes the following applies to all of the funds listed above:

- in the treasury
- STO is custodian of the funds

ASSUMPTION (continued)

- STO shall approve disbursements from the funds in accordance with this section and sections 30.170 and 30.180, RSMo
- exempt from the biennial transfer
- STO shall invest in same manner as all other funds
- retains interest earnings

STO requests one FTE at the Accountant II level plus the corresponding expense and equipment to reconcile the new fund and distribute the money annually.

Oversight assumes STO's current staff can handle the increase in workload created by this proposal.

Officials of the **Department of Revenue (DOR)** state this legislation establishes an individual and corporate tax check off for the American Cancer Society Heartland Division Inc, the ALS Lou Gehrig's Disease Fund, the American Lung Association Missouri Fund, the Arthritis Foundation Fund, the Muscular Dystrophy Association Fund, the Gateway Area Diabetes Association Fund and the National Multiple Sclerosis Society Fund, as long as the organization is a 501(c)(3), has the cure of a chronic illness as its primary purpose, and it pays a \$1,000 application fee.

DOR will provide a list of all the authorized contribution designations within the income tax instructions and a check box is to be unambiguously printed on the first page of the income return. This check box will be shared by the funds listed above and the General Revenue Fund. DOR will notify the Office of Administration monthly with the information for the transfer by the state to each fund.

Taxation will have to modify the MINITS and COINS systems to allow for the check offs to be added to the tax returns and for the accountability of the contributions. DOR assumes it will take 1,384 hours of programming on the MINITS system and 692 hours of programming on the COINS system, at a cost of \$69,255.

DOR assumes the report provided to DOR by the organizations reporting their expenditures will not require DOR to maintain a database or key anything electronically. If DOR is wrong in this assumption, then additional programming and key-entry costs will be needed.

DOR defers any revenue impact to BAP.

| <u>FISCAL IMPACT - State Government</u> | FY 2005 (6 Mo.) | FY 2006 | FY 2007 |
|--|--|---|---|
| GENERAL REVENUE FUND | | | |
| <u>Income</u> - Dept. of Revenue | | | |
| \$1,000 application fee | \$7,000 | \$0 | \$0 |
| 1% collection/handling fee | Unknown to \$100,000 | Unknown to \$100,000 | Unknown to \$100,000 |
| <u>Cost</u> - Dept. of Revenue | | | |
| Programming | <u>(\$69,255)</u> | <u>\$0</u> | <u>\$0</u> |
| TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | <u>Unknown to</u> <u>\$37,745</u> | <u>Unknown to</u> <u>\$100,000</u> | <u>Unknown to</u> <u>\$100,000</u> |
| AMERICAN CANCER SOCIETY HEARTLAND DIVISION FUND | | | |
| <u>Income</u> - contributions | Unknown | Unknown | Unknown |
| <u>Transfers Out</u> - to Cancer Society | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| ESTIMATED NET EFFECT ON AMERICAN CANCER SOCIETY HEARTLAND DIVISION FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| ALS LOU GEHRIG'S DISEASE FUND | | | |
| <u>Income</u> - contributions | Unknown | Unknown | Unknown |
| <u>Transfers Out</u> - to ALS | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| ESTIMATED NET EFFECT ON ALS LOU GEHRIG'S DISEASE FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

| <u>FISCAL IMPACT - State Government</u> | FY 2005 (6 Mo.) | FY 2006 | FY 2007 |
|---|--------------------|-------------------|-------------------|
| AMERICAN LUNG ASSOCIATION OF MISSOURI FUND | | | |
| <u>Income</u> - contributions | Unknown | Unknown | Unknown |
| <u>Transfers Out</u> - to American Lung Assn. | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| ESTIMATED NET EFFECT ON AMERICAN LUNG ASSOCIATION OF MISSOURI FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| MUSCULAR DYSTROPHY ASSOCIATION FUND | | | |
| <u>Income</u> - contributions | Unknown | Unknown | Unknown |
| <u>Transfers Out</u> - to MDA | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| ESTIMATED NET EFFECT ON MUSCULAR DYSTROPHY ASSOCIATION FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| ARTHRITIS FOUNDATION FUND | | | |
| <u>Income</u> - contributions | Unknown | Unknown | Unknown |
| <u>Transfers Out</u> - to Arthritis Foundation | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| ESTIMATED NET EFFECT ON ARTHRITIS FOUNDATION FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

DESCRIPTION

This proposal creates a minimum one dollar and maximum two hundred dollar check-off on the Missouri income tax return for individuals or corporations entitled to a refund. The money designated by the check-off will be deposited into one of the following funds created by the act: the American Cancer Society Heartland Division Fund, the ALS Lou Gehrig's Disease Fund, the American Lung Association of Missouri Fund, the Muscular Dystrophy Association Fund, the Arthritis Foundation Fund, the Gateway Area Diabetes Association Fund, or the National Multiple Sclerosis Society Fund. The Director of Revenue is required to establish a method for creating one box on the tax return form and designations for each of the available funds on a separate instruction sheet. The Director shall also establish a method for distributing money in the different fund to the designated organizations. Such organizations receiving moneys from a fund shall only expend such moneys for the support of residents of this state.

The Director of Revenue shall transfer at least monthly all contributions made by individuals and corporations, less one percent of the amount in the fund at the time of the transfer for the cost of collection and handling by the Department of Revenue. The maximum annual amount that can be transferred for collection costs cannot exceed \$100,000. All contributions made under this act shall only be deposited in the appropriate fund after all other claims against the refund have been satisfied.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This proposal could affect Total State Revenue.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration
Division of Budget and Planning
State Treasurer



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