

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3844-01  
Bill No.: SB 1059  
Subject: Business and Commerce; Taxation and Revenue - Income  
Type: Original  
Date: January 27, 2004

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Revenue	(\$86,569)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$86,569)</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</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 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

**Department of Economic Development** officials did not respond to our fiscal note request.

Officials of the **Office of Administration, Division of Budget and Planning (BAP)** assume this bill makes certain changes to Missouri corporate income tax laws, establishing guidelines for the taxation of intangible property. BAP assumes this bill would have a positive impact on General Revenue and Total State Revenue, but defers to the Department of Revenue for an estimate.

BAP assumes this bill would have no impact on the Office of Administration or BAP.

Officials of the **Department of Revenue (DOR)** assume the Division of Taxation will need to modify forms and programming for the new addition and subtraction created by this legislation. DOR estimates that the programming modifications for the COINS and CAFÉ<sup>1</sup> systems will take 2,595 hours (5 programmers for 3 months), at a cost of \$86,569. These programmers will have to do the following: 1) Database changes to add the new fields; 2) online screen changes to all the return processing screens; 3) changes to the edit and audit program for returns; 4) report changes; and 5) changes to the CAFÉ system.

ASSUMPTION (continued)

This legislation does not appear to change the current guidelines for taxing intangible property. Therefore, DOR assumes there is no impact to revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
<b>GENERAL REVENUE FUND</b>			
<u>Cost - Dept. of Revenue</u>			
Programming	<u>(\$86,569)</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$86,569)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<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.

DESCRIPTION

This proposal establishes a procedure for the determination of tax liability for purposes of corporate income tax of certain expenses and costs related to certain intangible property when the property is transferred to a related entity.

The bill provides specific criteria for determining if transactional expenses and costs related to the transfer and use of the rights to patents, trade names, trademarks, and other intangible property incurred by a taxpayer from a related entity are a legitimate business expense and are allowed to be deducted in the computation of Missouri taxable income.

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

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SOURCES OF INFORMATION

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



Mickey Wilson, CPA  
Director  
January 27, 2004