

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5085-02
Bill No.: HB 1859
Subject: Business and Commerce; Economic Development; Taxation and Revenue.
Type: Original
Date: March 7, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(\$34,895 to Unknown)	(\$35,330 to Unknown)	(\$36,216 to Unknown)
Total Estimated Net Effect on General Revenue Fund*	(\$34,895 to Unknown)	(\$35,330 to Unknown)	(\$36,216 to Unknown)

* Could exceed \$100,000.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance** assume the proposal will not fiscally impact their agency.

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposal will have a negative impact on general revenue. BAP defers to the Department of Economic Development for projected General Revenue impacts.

Officials from the **Department of Revenue (DOR)** states their Division of Taxation anticipates administration of the bill much the same as the Quality Jobs Act. A new form would be created, a new system for tracking purposes would be needed, and one Tax Processing Technician I (at \$22,992 annually) would be required to administer this new act. DOR assumes the total cost of the FTE would be roughly \$38,000 annually.

Oversight assumes DOR will not require additional floor space for this one FTE and have taken that expense out of DOR's estimated cost.

ASSUMPTION (continued)

Officials from the **Department of Economic Development (DED)** assume an unknown cost to administer the credit. DED assumes the program would be administered by the Division of Workforce Development.

This proposal does not have a program limit, therefore, **Oversight** will range the potential loss of revenue to the General Revenue Fund from \$0 (no companies qualifying) to a negative Unknown amount. Oversight assumes the amount of lost income tax withholding revenue could be substantial.

This proposal will reduce Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
<u>Costs - Department of Revenue</u>			
Personal Service (1 FTE)	(\$19,639)	(\$24,156)	(\$24,760)
Fringe Benefits	(\$8,653)	(\$10,643)	(\$10,909)
Expense and Equipment	<u>(\$6,603)</u>	<u>(\$531)</u>	<u>(\$547)</u>
<u>Total Costs - DOR</u>	(\$34,895)	(\$35,330)	(\$36,216)
<u>Costs - Department of Economic Development</u>			
Costs to implement the Small Business and Entrepreneurial Growth Act	(Unknown)	(Unknown)	(Unknown)
<u>Loss - Income tax withholding allowed to be kept by businesses under the Small Business and Entrepreneurial Growth Act</u>			
	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$34,895 TO UNKNOWN)</u>	<u>(\$35,330 TO UNKNOWN)</u>	<u>(\$36,216 TO UNKNOWN)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that qualify for the benefits under the program could be positively impacted as a result of this proposal.

DESCRIPTION

This proposal establishes the Small Business and Entrepreneurial Growth Act for small business employers who expand their business by increasing the number of jobs and meeting certain qualifications. A qualified employer can retain the Missouri withholding tax from the salaries of the newly created jobs for one year; or if the employer pays one half the cost of the premiums for health insurance for all employees, the withholding tax can be retained for two years.

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 Economic Development
Department of Revenue
Office of Administration - Budget and Planning
Department of Insurance



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