COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0835-07
Bill No.: HCS No. 2 for SCS for SB 117
Subject: Hospitals; Taxation and Revenue - Property; Taxation and Revenue - Sales and Use
Type: Original
Date: May 9, 2011

Bill Summary: This proposal would make multiple changes to economic development and tax programs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue *	Unknown greater than $9,437,827 to (Unknown greater than $369,387)	Unknown greater than $7,536,124 to (Unknown greater than $267,684)	Unknown greater than $5,737,808 to (Unknown greater than $368,768)
Total Estimated Net Effect on General Revenue Fund	**Unknown greater than $9,437,827 to (Unknown greater than $369,387)**	**Unknown greater than $7,536,124 to (Unknown greater than $267,684)**	**Unknown greater than $5,737,808 to (Unknown greater than $368,768)**

*Note: **The Department of Revenue has estimated that the amnesty program would result in the collection of approximately $74 million in FY 2012 of which approximately $50 million is currently identified and the balance of approximately $24 million would be considered additional revenue. The interest, penalties, and additions to tax waived under the provisions of the amnesty program would be considered foregone prospective future revenue.**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 30 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Conservation Commission	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (More than $100,000)
Parks, and Soil and Water	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (More than $100,000)
School District Trust	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (More than $100,000)
Legal Defense and Defender	Unknown	Unknown	Unknown
Blind Pension Fund	$0	(Unknown)	(Unknown)
Total Estimated Net Effect on Other State Funds	**Unknown to (Unknown)**	**Unknown to (Unknown)**	**Unknown to (More than $300,000)**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	**1 FTE**	**1 FTE**	**1 FTE**

☐ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	**Unknown to (Unknown greater than $100,000)**	**Unknown to (Unknown greater than $100,000)**	**Unknown to (Unknown greater than $100,000)**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance**, **Financial Institutions and Professional Registration**, **Office of the Governor, Department of Transportation, Department of Agriculture** and the **Metropolitan St. Louis Sewer District** assume that there is no fiscal impact from this proposal.

Officials from the **Department of Conservation** (MDC) state this proposal would have an unknown negative fiscal impact on the Department. Conservation Sales Tax funds are derived pursuant to Article IV Section 43 (a) of the Missouri Constitution, therefore, a portion of sales tax collected through the amnesty program could be deposited to the Conservation Fund. The sales tax exempt pieces of the legislation could negatively impact the Conservation Fund. The Department assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal. MDC could refer outstanding debt to the Department of Revenue for collection. This would be minimal.

Sections 32.028, 32.087, 32.088, 32.383, 32.410-32.460, 105.716, 140.910, 144.083 Department of Revenue Collection Procedures

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assumed a similar proposal (HB 316 LR 1149-01) would not result in additional costs or savings to their organization.

BAP officials also assumed the proposal would increase general and total state revenue by improving tax collection procedures and/or debt owed to the state. It would also allow the Department of Revenue (DOR) to retain 1% of the amount of any local sales or use tax collected to cover their costs. This proposal would also give DOR authority to collect debt on behalf of other state agencies. All taxes in this proposal are existing, so there would be no 18e impact.

BAP deferred to DOR for estimates of the costs and increased revenue collections resulting from operational efficiencies.

Officials from the **Department of Revenue** (DOR) assumed a similar proposal (HB 316 LR 1149-01) would make changes to the state's revenue collections process.

In Section 32.028, DOR would collect all taxes and fees and may collect, upon referral by a state agency, debts owed to any state agency, payable to the state as provided by law.

ASSUMPTION (continued)

In Section 32.087 the proposal would add provisions stating that DOR could retain one percent of the amount of any local sales or use tax collected for cost of collection.

Section 32.088 would add a requirement as of January 1, 2012, for the possession of a no-tax due statement from the Department of Revenue stating there are no taxes due under chapters 142, 143, 144, 147 and 149 and no fees due under chapter 260 for the issuance or renewal of any city or county occupation license or any state license required for conducting any business. The statement of no tax due could be dated no longer than 90 days before the date of submission for application or renewal of the city or county license. Alternatively, as of January 1, 2012, in lieu of a no-tax due statement, DOR could enter into an agreement with any state agency responsible for issuing any state license for conducting any business, requiring the agency to provide DOR with the name and tax identification number of each applicant for licensure within one month of the date the application is filed or at least one month prior to the anticipated renewal of a licensee's license. If such licensee is delinquent on any taxes, DOR would send notice to each such entity and licensee. In the case of such delinquency or failure to file, the licensee's license would be suspended within 90 days after notice of such delinquency or failure to file, unless DOR verifies that such delinquency or failure has been remedied or arrangements have been made to achieve such remedy. DOR would also send written notification to the licensee that the delinquency has been remedied. A tax liability paid in protest or reasonably disputed would be considered paid for the purposes of this section.

DOR and ITSD-DOR would need to make programming changes to various processing systems.

Section 32.383 would authorize an amnesty from the assessment or payment of penalties, additions to tax, and fifty percent of the interest due under chapters 32, 143, and 144, with respect to unpaid taxes administered by DOR which are reported and paid in full from August 1, 2011, to October 31, 2011. The amnesty would apply only to state tax liabilities due but unpaid on or before December 31, 2010, and would be limited to accounts which meet certain criteria as outlined in the proposal.

DOR and ITSD-DOR will need to make programming changes to various processing systems.

Section 32.410 would create a state debt collections program.

Section 32.420 would allow all state agencies to refer to debts owed to them to DOR for collection; an agency could refer a debt to DOR at any time after the debt becomes delinquent and uncontested and the debtor has no further administrative appeal of the debt. DOR would prepare methods and procedures for referral, and those procedures and remedies would be in

ASSUMPTION (continued)

addition to any other procedure or remedy available by law.

In Section 32.430, DOR would have the authority to use all general remedies afforded creditors of this state in collection of debt as well as any remedies afforded the state agency referring the debt and to the state in general as a creditor. DOR would be authorized to employ staff and attorneys, and at the department's discretion the attorney general, prosecuting attorneys, and private collection agencies could be authorized to collect such debts.

In section 32.440, DOR would be authorized to add ten percent to the debt for the cost of collection, and DOR would have the same collection authority with respect to the ten percent additional charge as to the debt referred by the state agency.

In Section 32.450, DOR would be authorized to compromise state debt in accordance with section 32.378.

In Section 32.460, DOR and the referring agency would be required to follow all federal and state laws regarding the confidentiality of information and records regarding the debtor; each state agency's confidentiality laws would also apply.

Section 105.716 would prohibit funds from the state legal expense fund for settlement of any liability claim except upon the production of a no tax due statement from DOR by the party making the claim or having judgment under section 105.711.

Section 140.910 would allow DOR to file a certificate of lien in the circuit court as provided by section 143.902, 144.380, or 144.690. DOR could issue an order directing any person to withhold and pay over to the department assets belonging to, due, or to become due the taxpayer. Assets subject to this provision are defined in the proposal.

Section 144.083 would require the possession of a retail sales license and a DOR statement of no tax due as a prerequisite to the issuance or renewal of any city or county occupation license or any state license which is required for conducting any business where goods are sold at retail. From January 1, 2009 until December 31, 2011, the possession of a DOR statement of no tax due under sections 143.191 to 143.265 or sections 144.010 to 144.510 would also be a prerequisite to the issuance or renewal of any city or county occupation license or any state license required for conducting any business where goods are sold at retail.

Section 168.071 would require as of January 1, 2012, that the Department of Elementary and Secondary Education (DESE) provide the name and Social Security number of each certificate

ASSUMPTION (continued)

holder or applicant for a certificate to teach in Missouri to the DOR. DOR would be required to check the status of each certificate holder or applicant for certificate of a license to teach against a database developed by DOR to determine if all state income tax returns have been filed and all state income taxes owed have been paid.

DOR officials estimated FY 2012 increases to general revenue of approximately $27 million, FY 2013 increases to general revenue of approximately $25 million, FY 2014 increases to general revenue of approximately $26 million, and combined increases to total state revenue of approximately $90 million through FY14.

Statute Sections	Subject	FY 2012 Net GR	FY 2012 Total	FY 2013 Net GR	FY 2013 Total	FY 2014 Net GR	FY 2014 Total
32.028, 32.400, 32.410, 32.420, 32.430, 32.440, 32.450, 32.460	Centralized State Debt Collections	$0.75	$1.00	$4.00	$6.00	$5.00	$7.50
32.087	1% collection fee	$0.35	$0.35	$0.35	$0.35	$0.35	$0.35
32.38	Tax Amnesty	$20.00	$28.00	$0.00	$0.00	$0.00	$0.00
32.088, 105.716, 144.083, 140.910, 168.071	Enhanced No Tax Due and Garnishment Teacher Certificates	$6.00	$6.00	$20.63	$21.50	$20.63	$21.50

Oversight has analyzed the DOR estimates of additional tax collections, but we are not able to determine the reasonableness of those estimates since we do not have access to comparable

ASSUMPTION (continued)

information for similar programs, nor are we able to review any of the supporting documentation for those estimates since the information is confidential. Accordingly, Oversight will indicate unknown additional revenues for the state General Revenue Fund in excess of $100,000, in addition to the recovery of program costs, for FY 2012, FY 2013, and FY 2014. Oversight will also indicate unknown additional revenues for the other state funds which receive sales tax collections, and for local governments.

DOR officials provided an estimate of the cost to implement the proposal.

Projected Amnesty Program Costs

Temporary Staff	$ 65,000
Equipment	$ 3,000
Postage	$ 500
Advertising	$400,000
Total	$468,500

Administrative costs

DOR officials assume that Personal Tax would require one additional FTE Revenue Processing Technician I (Range 10, Step L) per 2,400 accounts to be reviewed, tracked, and monitored. DOR officials also assume that implementing the proposal would require a systems upgrade of $1.5 million, professional services of $561,000, and additional postage of $86,250.

DOR officials submitted a cost estimate to implement the proposal including one additional employee with related fringe benefits, equipment, and expense, the amnesty program costs of $468,500, system upgrade of $1,500,000, professional services of $561,000, and additional postage of $86,250 totaling $2,553,596.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional position to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has adjusted the DOR estimate of equipment and expense cost in accordance with OA budget guidelines, and Oversight assumes that one additional employee could be accommodated in existing office space.

ASSUMPTION (continued)

Oversight will indicate unknown costs in excess of $100,000 in FY 2012, FY 2013, and FY 2014 for the Department of Revenue to administer the amnesty program and for the consulting, system upgrade, and additional postage.

DOR officials also provided an estimate of the IT cost to implement the program of $179,670 based on 6,780 hours of programming to update DOR systems.

Oversight assumes ITSD-DOR is provided with core funding to handle a certain amount of activity each year. Oversight also assumes ITSD-DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, ITSD-DOR could request funding through the budget process.

Officials from the **Department of Agriculture** (AGR) assume this proposal would result in a loss of revenue to their organization. AGR officials stated that in situations in which less than the total amount is collected back, the payment would be applied proportionally to collection costs and the underlying debt. In delinquent loan situations, this is typically the case, so based on the past three years average:

> $63,609 collections for which collection assistance would be requested.
> ($63,609 + ((10% x $63,609)=$6,361))= $69, 970 = amount requested plus 10% collection fee added according to this proposal.
>
> $13,858 collected
> So, proportionally applying payment to the collection fee and MASBDA:
> ($69,970/$63,609)= 90.9%, and
> ($69,970/$6,361)=9.1%; therefore
> ($6,361*9.1%)=$1,261 reduced revenue to MASBDA because of the collection fee.

Oversight assumes that delinquent accounts would be referred to the Department of Revenue after the Department of Agriculture had exhausted their internal collection process. Accordingly, any amounts collected by DOR on behalf of AGR would be greater than the collections on those accounts without DOR assistance. For fiscal note purposes, Oversight will not indicate a negative impact for AGR.

Officials from the **Department of Health and Senior Services** (DHSS) assume for fiscal notes purposes that the phrase "any state license required for conducting any business" includes providers the DHSS, Division of Regulation and Licensure (DRL) is responsible for licensing including hospitals, ambulatory surgical centers, home health agencies, hospices, child care

ASSUMPTION (continued)

facilities, ambulance services, all levels of long-term care facilities, and adult day care facilities. DHSS further assumes that this same phrase does not apply to licenses issued to individuals (nursing home administrators or emergency medical technicians) or to registrations of handlers of controlled substances. This section would require licensed providers to submit a "no tax due statement" to DRL with their applications for initial and renewal licenses.

DHSS assumes for fiscal note purposes that the director of the DOR would enter into an agreement with DHSS by which DHSS would provide DOR with the name and Missouri tax identification number (TIN) within one month of the date any application is filed or one month prior to any anticipated renewal of a license. DRL currently does not request the taxpayer identification number at any point in its various licensure application processes.

DHSS, DRL would need to assess which of the two options above is the most effective and efficient method to ensure no taxes are due to the State of Missouri from a licensure applicant. Both sections proposed contain task that currently are not part of any application processes and are not required by rule. State regulations would need to be modified to reflect additional information submission requirements. Forms and licensure processing procedures would need to be modified to ensure appropriate review of the documentation and follow-up as needed. Licensure tracking databases would possibly need to be modified to capture additional data. The time required to review applications/renewals would increase and a process would need to be develop for receiving the no tax due/tax due information back from the DOR, and the appropriate follow-up with applicants. Section 32.088.2 would also require a new process for submitting the required information to DOR to be developed and implemented

Section 32.088.2 also indicates that if an entity is delinquent or fails to file, its license shall be suspended within 90 days notice, unless they have remedied the situation or entered into a payment arrangement with DOR. This could result in increased activities related to licensure suspension administered by DHSS, DRL. Licensure suspension could also result in the need for relocation of long-term care residents which would also result in an increased need for staff time.

ASSUMPTION (continued)

DRL processed approximately 8,192 applicants in 2010.

Section	Child Care Regulation	Long-Term Care Regulation	Health Standards and Licensure	Totals
Initial Licenses & Renewals	1,651	775	5,766	8,192

The total fiscal impact to DRL for staff time to implement the proposed statutory changes, including assessing the appropriate option to implement, amendments to rules, changes in forms, developing and implementing process changes, database changes, collecting and reporting information, increased suspension/denial activities is considered unknown, greater than $100,000 annually.

Oversight assume that any potential costs arising from this proposal can be absorbed with existing resources. If the DOH experiences an increase that would require additional funding, the DOH could request the funding through the appropriations process.

Officials from the **Department of Social Services**, **MO HealthNet** (MHD) state if a voluntary payment of a debt owed to the MHD is not secured and the debt exceeds $500 a referral is made to the Attorney General. This proposal would allow the MHD to refer uncollectable debts to the Department of Revenue.

There would not be a fiscal impact to the MHD becasue it is assumed that any money collected by the Department of Revenue would go into the General Revenue Fund. In addition, some recoveries for MHD may be required to be returned to the federal government. However, the ability to refer uncollectable debts to the Department of Revenue and the tools available to DOR for collection are expected to enhance DSS's ability to increase collections, resulting in an overall positive impact to the state.

Officials from the **Department of Social Services, Child Service Enforcement** (CSE) state if CSE decided to participate in this referral process, policy and procedural changes would be required. The required changes to policy, procedures, and firms could be accomplished with existing staff. Referral of accounts receivable to DOR would also require system changes including the development of interfaces between CSE and DOR. OA/ITSD will need to identify any costs for these changes.

ASSUMPTION (continued)

Officials from the **Department of Social Services, Family Support Division - Income Maintenance** (FSD-IM) state there is no immediate fiscal impact to the Division.

Section 32.385 Reciprocal Debt Offset Agreement

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assumed that similar provisions in HB 767 LR 1774-01 would not result in additional costs or savings to their organization.

BAP officials stated that the proposal would allow the Department of Revenue and the Office of Administration to enter into a reciprocal collection and offset program with the federal government. Total State Revenue would increase by the amount of collections, and General Revenue would increase by the amount deposited into this fund. BAP deferred to the Department of Revenue for estimates of the costs and increased revenue collections resulting from this operational efficiency program.

Officials from the **Department of Revenue** (DOR) assume assumed that similar provisions in HB 767 LR 1774-01 would authorize the Director of Revenue and the Commissioner of Administration to enter into a reciprocal collection and offset of indebtedness agreement with the United States government.

* Under the agreement, a federal official could certify to the state of Missouri the delinquent nontax liability owed to the United States government, and request that the state of Missouri withhold any refund and vendor payment to which the person is entitled. The proposal would only become effective if the laws of the United States allow the state of Missouri to enter into a reciprocal agreement with the United States, under which the federal official would be authorized to offset federal payments to collect delinquent tax and nontax debts owed to the state and provide for the payment of the amount withheld to the state. The federal government could retain a portion of the proceeds of any collection setoff as provided under the agreement.

* Under the agreement, DOR would certify to a federal official the existence of a delinquent tax or nontax liability due the state owed to any state agency, request that the federal official withhold any eligible vendor payment to which the person is entitled, and would provide for the payment of the amount withheld to the state.

ASSUMPTION (continued)

* The Director of Revenue and the Commissioner of Administration would also have the authority to enter into reciprocal agreements with any other state to offset any nontax debt from state tax refunds and payments otherwise due to vendors and contractors.

DOR officials estimated additional revenues of $9 million in FY 2012, $7.3 million in FY 2013, and $5.5 million in FY 2014. The DOR estimate of costs for this program included postage of $37,400 for DOR and $660 for the Office of Administration, and fees of $93,500 to the federal government. The DOR response included costs only for FY 2012.

Oversight will use the DOR estimate of collections for this program, and will indicate the same expenses for FY 2012, 2013, and 2014.

Officials from the **Office of the Missouri State Public Defender** (MSPD) assumed in response to similar provisions in HB 767 LR 1774-01 that indebtedness agreements with the United states Government and/or other states should result in greater collections from past public defender clients who have an outstanding Public Defender lien against them. The Missouri State Public Defender has participated in the Department of Revenue's Debt Offset program for greater than 20 years. It is, by far, the single greatest source of collections from our past clients. In Fiscal Year 2010, we recovered $1,660,501 from past clients. Of this amount, $1,053,148 or 63% was from the DOR debt offset program. It is difficult to estimate the net collections this proposed legislation would generate.

Oversight assumes that if this proposal was implemented, the agreement with the federal government could be implemented in FY 2012 and could result in additional FY 2012 collections. Therefore, Oversight will indicate unknown additional revenue to the Legal Defense and Defender Fund for this proposal for FY 2012, FY 2013, and FY 2014.

Section 66.640 Emergency Service

In response to similar legislation filed this year, HB 1019 the following responded:

Officials at the **Department of Revenue** assume the department would need to make programming changes to various tax systems. The department's response to a proposal similar to or identical to this one in a previous session indicated the department planned to absorb the administrative costs to implement the proposal. Due to budget constraints, reduction of staff and the limitations within the department's tax systems, changes cannot be made without significant impact to the department's resources and budget. Therefore, the IT portion of the fiscal impact is

ASSUMPTION (continued)

estimated with a level of effort valued at $5,300, which is 200 FTE hours.

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

Officials at the **St. Louis County** assume a minimal impact from this proposal.

Section 67.319 Water Supply District
In response to similar legislation filed this year, HB 369, the following responded:

Officials from the **State Tax Commission** and the **City of Raytown** assume that there is no fiscal impact from this proposal.

No other City or Public Water District responded to **Oversight's** request for fiscal impact.

Oversight assumes this proposal is discretionary and would have no local fiscal impact without action by the governing body.

Section 67.1303 Job Training and Educational Facilities

These provisions add authority for a certain city to expend project money for the construction and operation of job training and educational facilities. Since the provision do not allow or require any additional taxes or reduced taxes or change the overall spending authority of the entity, Oversight assumes these provisions have no fiscal impact.

Sections 70.710, 70.720, & 70.730 Employer Accumulation Fund

In response to similar legislation filed this year, HB 448, the following responded:

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

Officials from the **Local Government Employees' Retirement System** or its employers assume there will be no fiscal impact to their agency.

ASSUMPTION (continued)

Section 137.082 Assessment of Newly Constructed Property

In response to similar legislation filed this year, HB 222, the following responded:

Officials from the **Office of Administration**, **Division of Budget and Planning** (BAP) assume this proposal would not result in additional costs or savings to their organization.

BAP officials assume this proposal would change the year of assessment for a newly constructed but never occupied property from the second year after completion to the fourth year after completion. The proposal, if enacted, could slow the growth in assessed valuations of improved properties but BAP does not have the data to estimate these impacts. The proposal would not impact general revenues but could reduce funding for schools and could slow growth in state Blind Pension Fund receipts.

Officials from the **Department of Elementary and Secondary Education** (DESE) assume this proposal would not impact state revenues but would have a negative impact on the revenue stream of local governments. DESE has no means to calculate such impact, however.

Officials from the **Department of Revenue** assume this proposal would have no fiscal impact on their organization.

Officials from the **State Tax Commission** (TAX) assume this proposal would not have a fiscal impact on their organization. The proposal would extend the time period for newly constructed property to be assessed regardless of whether the property is located in a county that has enacted an occupancy provision. TAX officials stated that implementation of the proposal would result in a loss of revenue to local governments, but they did not have the information that would allow them to calculate the potential revenue loss.

Officials from the **City of Kansas City** assume this proposal would extend the time when newly constructed but unoccupied improvements can be assessed and placed on the property tax roll for taxation purposes. The proposed legislation would require taxing jurisdictions to wait until the fourth year following construction to add the taxable assessed valuation for the improvements. The impact of extending the requirement to assess and levy taxes for improvements from two years to four years would in effect eliminate two years of tax revenue which jurisdictions currently receive for newly constructed residential property. This would have a negative impact on taxing jurisdictions.

ASSUMPTION (continued)

Kansas City officials did not provide an estimate of the fiscal impact to their organization.

Officials from **Boone County** assume this proposal would increase the cost to taxing entities in Boone County by $142,000 per year. Boone County officials also assume this proposal would require their county to adopt assessment on occupancy, and that change would increase assessment fund withholding from property taxes collected from 0.5% of collections to 0.6% of collections. That 20% increase in withholdings would result in a revenue increase from $710,000 to $852,000 per year to the assessment fund.

Officials from the **City of St. Louis** assume this proposal would apply to unsold homes in a builder's inventory. City officials stated that the cost would vary from year to year, but the current cost would be about $36,000 per year for all taxing entities in the City, and about 21% or $7,665 would be the cost to their organization.

Officials from the **City of Richmond** provided a response to this proposal but not an estimate of the potential fiscal impact to their organization.

Oversight notes that current provisions for newly constructed residential real estate allow counties and the City of St. Louis to assess that property when it is occupied or on the second January 1 following the year in which construction was completed. Oversight does not have information as to how many jurisdictions assess properties on occupancy, and how many assess properties on the second January 1 following completion.

Oversight also notes that properties are assessed as of January 1; therefore, a property which was completed and occupied in the same year would be assessed on the following January 1. Property taxes would first be due on December 31 following the January 1 on which the property was first assessed. A property which was completed but not occupied would be assessed on the second following January 1; a delay of an additional year.

A property completed in 2009 but not occupied would currently be assessed for the first time on January 1, 2011 and taxes would be due December 31, 2011 (FY 2012.). Taxes would also be collected on that property in FY 2013 and FY 2014.

Oversight notes that this proposal would only have an impact for jurisdictions which assess on the second following January 1; the proposal would delay the initial assessment of the completed but not occupied property until the fourth following January 1. The proposal would result in two additional years in which the improved property would be taxed at the value of the unimproved

ASSUMPTION (continued)

lot. The proposal would be effective in August of 2011; a property completed in 2009 but not occupied would have been assessed for the first time on January 1, 2011. Taxes on the property would be due on December 31, 2011 (FY 2012). Therefore, Oversight will indicate no fiscal impact for this proposal for FY 2012.

A property completed in 2010 but not occupied would be assessed for the first time January 1, 2012 under current provisions, and taxes would be due on that property December 31, 2012 (FY 2013). This proposal would delay that initial assessment until January 1, 2014, and taxes would first be due on that property December 31, 2014 (FY 2015).

Local governments and the state Blind Pension Fund would have revenue losses beginning in FY 2013 for property taxes on completed but unoccupied residential property. Oversight does not have information on the number, value, or location of completed but unoccupied residential properties. Accordingly, Oversight will indicate unknown losses for those years.

Section 144.190 Refunds of sales tax

Officials from the **Department of Revenue** (DOR) state if a taxpayer applying for a refund under the provisions of this section submits a written request for the director to hold a refund claim unprocessed pending the outcome of legal proceedings on the same or similar grounds or transactions, the director shall hold such refund claim unprocessed pending the outcome of such legal proceedings on the same or similar grounds or transactions.

- Interest shall not accrue on any refund for the time period such refund claim is held at the request of the taxpayer applying for a refund under the provisions of this subsection.
- A purchaser that originally paid sales or use tax to a vendor or seller may submit a refund claim directly to the director of revenue for such sales or use taxes paid to such vendor or seller, provided such claim for refund is accompanied by either:
    - A notarized assignment of rights statement by the vendor or seller to the purchaser allowing the purchaser to seek the refund on behalf of the vendor or seller. An assignment of rights statement shall contain the Missouri sales or use tax registration number of the vendor or seller, a list of the transactions covered by the assignment, the tax periods and location for which the original sale was, or should have been, reported to the director of revenue by the vendor or seller, and a notarized statement signed by the vendor or seller affirming that the vendor or seller has not received a refund or credit and will not apply for a refund or credit of the

ASSUMPTION (continued)

tax collected on any transactions covered by the assignment; or

- In the event the vendor or seller fails or refuses to provide an assignment of rights statement within sixty days from the date of such purchaser's written request to the vendor or seller, or the purchaser is not able to locate the vendor or seller or the vendor or seller is no longer in business, the purchaser may provide the director a notarized statement confirming that efforts have been made to obtain an assignment of rights from the vendor or seller. Such statement shall contain a list of the transactions covered by the assignment, the tax periods and location for which the original sale was, or should have been, reported to the director of revenue by the vendor or seller. The director shall not require such vendor, seller or purchaser to submit amended returns for refund claims submitted under the provisions of this subsection.

Section 144.810 Sales and Use Tax Exemption for Server Farms and Data Storage Facilities

In response to similar legislation filed this year, SB 217, the following responded:

Officials from the **Department of Economic Development** (DED) assumed the proposal would create a state and local sales and use tax exemption for data storage centers. The data storage centers that seek a tax exemption would be required to submit a project plan to the DED, and DED would be responsible for certifying the projects in conjunction with the Department of Revenue (DOR). The proposed legislation would also require random audits to ensure compliance with the intent the data storage centers and server farm facilities indicated in their project plan.

DED is unable to determine the exact impact the proposed legislation will have on total state revenue and therefore would anticipate an unknown impact to total state revenues over $100,000.

DED is responsible for determining eligibility for the exemption and also for the compliance and auditing functions required by the proposed legislation and anticipates the need for one additional FTE. This FTE would be an Economic Development Incentive Specialist III and would be responsible for reviewing the project plan applications to make sure they meet the criteria of the program and conducting random audits to ensure compliance with the program.

DED submitted a cost estimate for the proposal including salaries, benefits, equipment, and expense totaling $60,576 for FY 2012, $65,674 for FY 2013, and $66,406 for FY 2014.

ASSUMPTION (continued)

Oversight assumes there would be a limited number of entities eligible for this sales and use tax exemption and that DED could absorb the additional workload with existing resources. If this proposal created an unanticipated increase in the DED workload, or if multiple proposals were implemented which created a substantial increase in the DED workload, resources could be requested through the budget process.

Officials from the **Department of Revenue** (DOR) assumed the proposal would create a sales and use tax exemption for data center operations. The proposal would reduce state revenues.

Beginning August 28, 2011, the following would be exempt from sales and use tax:

* all electrical energy, gas, water and other utilities including telecommunication services used in a new data storage center
* All machinery, equipment and computers used in any new data storage center, and
* All sales at retail of tangible personal property and materials for constructing, repairing, or remodeling any new data storage center.

Entities would be required to submit a plan to the Department of Economic Development (DED) to determine eligibility. DED would certify the project to the DOR, and would issue an exemption certificate to the taxpayer. Beginning August 28, 2011 an expanding data storage center could be exempt from sales and use tax with the same criteria as with a new data storage center.

DED would conduct random audits, and DED and DOR would create rules to carry out the provisions of this legislation. DOR and ITSD-DOR would make programming changes to the sales tax processing system (MITS).

DOR assumes that Collections & Tax Assistance (CATA) would have additional contacts due to this exemption, and would require one additional FTE Revenue Processing Technician I (Range 10, Step L) per 24,000 additional contacts annually to the registration section, with CARES equipment and agent license, and one additional FTE Revenue Processing Technician I (Range 10, Step L) per 4,800 additional contacts annually to the tax assistance offices, with CARES equipment and agent license.

DOR also assumes that Sales Tax would require one additional FTE Revenue Processing Technician I (Range 10, Step L) for completion of amended returns and processing refunds

ASSUMPTION (continued)

DOR officials submitted an estimate of the cost to implement this proposal including three additional FTE and the related fringe benefits, equipment, and expense totaling $122,529 for FY 2012, $121,284 for FY 2013, and $122,558 for FY 2014.

Oversight assumes there would be a limited number of entities eligible for this sales and use tax exemption and that DOR could absorb the additional workload with existing resources. If this proposal created a significant unanticipated increase in the DOR workload, or if multiple such proposals were implemented, resources could be requested through the budget process.

The Department and ITSD-DOR would also make programming changes to the sales tax processing system (MITS). DOR did not provide an estimate of IT costs for the programming changes.

Oversight assumes ITSD-DOR is provided with core funding to handle a certain amount of normal activity each year. Oversight assumes ITSD-DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, ITSD-DOR could request funding through the appropriation process.

Although officials from the **Office of Administration, Division of Budget and Planning** (BAP) did not respond to our request for information, in response to a similar proposal, HB 366 LR 1090-01, BAP officials assumed that the proposal would not result in additional costs or savings to their organization.

BAP officials also provided the following information in response to HB 366 LR 1090-01.

The proposal would define the following data center projects;

* Expanding facility -- $1 million investment within 12 months.

* New facility - a new facility that does not replace an existing facility, with investment of $5 million over 36 months.

This proposal would provide a sales tax exemption for inputs of production used by new data storage centers. This provision would not impact current general and total state revenues, but could result in future forgone revenue. This program may encourage other economic activity, but BAP does not have the data required to estimate the induced revenues. The Department of Economic Development may have such an estimate.

ASSUMPTION (continued)

This proposal also provides a sales tax exemption for certain inputs of production used by expanding data storage centers, to the extent the amount of new inputs exceed current input levels. This provision would not impact current general and total state revenues, but could result in future forgone revenue. This program may encourage other economic activity, but B&P does not have data to estimate the induced revenues. The Department of Economic Development may have such an estimate.

These firms may fall under NAICS 518210 or 519130. Officials at DED reported there were 377 MO firms in these NAICS codes in autumn of 2009.

Oversight notes that this proposal would require a minimum $5 million investment in a new facility within thirty-six months, or a minimum $1 million investment in an expanding facility within twelve months. The proposed project would require approval by the Department of Economic Development (DED) which would conditionally certify the project to the Department of Revenue (DOR). Upon completion of the project, DED would certify the project eligibility to DOR, and DOR would refund the sales tax paid on the project.

If the proposal became effective August 28, 2011, construction could begin late in FY 2012 and would likely not be completed until late in FY 2013. Refunds would not likely be certified and paid to project owners until FY 2014.

Oversight is not aware of any existing or planned projects which could qualify for the program, but if one new facility project was completed in time for a refund to be paid in FY 2014, the sales tax amounts could be computed as follows. Oversight assumes the entire $5 million investment would qualify for the exemption.

Entity	Sales Tax Rate	Sales Tax
General Revenue Fund	3%	$150,000
Conservation Commission Fund	1/8%	$6,250
School District Trust Fund	1%	$50,000
Parks, and Soil and Water Funds	1/10%	$5,000
Local Governments	Average 2.5%	$125,000

ASSUMPTION (continued)

For fiscal note purposes, **Oversight** will assume a significantly larger project would be completed in FY 2014 and will indicate an unknown revenue reduction in FY 2012 and FY 2013, and a revenue reduction in excess of $100,000 for FY 2014 for the General Revenue Fund, for local governments, and for other state funds which receive sales tax revenues.

Sections 144.032 & 205.205 - Hospital district sales tax

Officials from **Department of Elementary and Secondary Education (DESE)** state this proposal does not impact DESE or local schools.

Officials from the **County of Iron** state the County concurs with the fiscal impact statement submitted by Iron County Hospital concerning this legislation.

Officials from the **Iron County Hospital** state in the event a sales tax is approved in Iron County, the financial ramifications will have a tremendously positive impact on the current financial situation the hospital is in. Since the hospital opened its doors in 2006, the hospital has experienced massive amounts of debt primarily due to the fact the hospital did not have any operating cash to operate the hospital and therefore starting out in a deficit that it has to recover from. The hospital currently has aged account payables in excess of $3.4M.

The approval of a sales tax will allow the hospital to not only have an impact in addressing the current outstanding debt issues but it will also allow the hospital to purchase necessary equipment that is much needed in order to provide the necessary medical services and procedures.

Oversight assumes this proposal authorizes hospital districts located within Iron County to abolish their existing property tax levies and, upon voter approval, impose a sales tax of up to one percent to fund the district. Oversight assumes if the voters were to approve a sales tax there would be revenue generated as well as costs related to holding an election. There would also be a reduction of revenue in hospital property tax.

Oversight assumes if the citizens would approve a sales tax to fund the hospital district, the Department of Revenue would retain a 1% collection fee which would be deposited into the State's General Revenue Fund.

The tax must receive voter approval before it could be implemented; therefore, **Oversight** assumes this proposal is permissive and, by itself, would have no state or local fiscal impact.

ASSUMPTION (continued)

Section 250.140 Sewerage and Water Services

In response to similar legislation filed this year, HB 722, the following responded:

Officials from the **Little Blue Valley Sewer District**, **Department of Economic Development**, **Missouri Housing Development Commission**, **Office of Public Counsel** and the **Public Service Commission** assume that there is no fiscal impact from this proposal.

Officials from the **City of Kansas City** state this legislation will have a negative fiscal impact on the City of Kansas City, Missouri, but such impact is impossible to quantify. At a minimum the inability to charge a turn on/off fee will put 1.2 million in delinquent turn-on/off fees at risk.

Officials from the **Public Water Supply District No. 2 of St. Charles County (District)** state the District would stand to lose revenue from uncollected accounts. This legislation would expose the District to greater risk of non-payment and the inability to collect the first $75 from each delinquent tenant/landlord account; potentially reducing revenue by thousands of dollars per year. For the last month of FY 2010, for example, the District would have lost potential collections from delinquent tenants/landlords of approximately $1,175.00 (a rate of $14,100 annually). The lost revenue could cause a subsequent increase in rates for all of the District's paying customers.

Oversight assumes with the number of water and sewer districts this proposal would effect; Oversight will show the impact as an unknown cost greater than $100,000.

Section 1Assest Management Contract

Oversight assumes no state or local fiscal impact.

Section 2 Water District Fees

The tax must receive voter approval before it could be implemented; therefore, **Oversight** assumes this proposal is permissive and, by itself, would have no state or local fiscal impact.

FISCAL IMPACT - State Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE FUND			
Additional revenue - 1% retention from tax collections (32.087)	Unknown	Unknown	Unknown
Additional revenue - Amnesty program * (Section 32.383)	More than $100,000	$0	$0
Additional Revenue - DOR collection procedures (Various)	More than $337,827	More than $236,124	More than $237,808
Additional Revenue - reciprocal debt offset program (Section 32.385)	$9,000,000	$7,300,000	$5,500,000
Cost - Department of Revenue			
Salary (1.0 FTE)	($18,900)	($23,360)	($24,061)
Overtime	($68,000)	$0	$0
Fringe benefits	($45,483)	($12,227)	($12,594)
Equipment and expense	($5,444)	($537)	($553)
Total	($137,827)	($36,124)	($37,208)
Cost - Department of Revenue - collection procedures, amnesty program, consulting, system upgrade, and additional postage	(More than $100,000)	(More than $100,000)	(More than $100,000)
Revenue reduction - interest, penalties, and additions to tax waived. * (Section 32.383)	(Unknown)	$0	$0
Cost - Department of Revenue and Office of Administration			
Postage	($38,060)	($38,060)	($38,060)
Collection charges	($93,500)	($93,500)	($93,500)
Total	($131,560)	($131,560)	($131,560)

FISCAL IMPACT - State Government
(continued)

Revenue reduction - sales tax exemption for data storage facilities and server farms (Section 144.810)	(Unknown)	(Unknown)	(More than $100,000)
Revenue reduction - withholding tax retention (Section 620.1878-620.1881)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND *	**Unknown greater than $9,437,827 to (Unknown greater than $369,387)**	**Unknown greater than $7,536,124 to (Unknown greater than $267,684)**	**Unknown greater than $5,737,808 to (Unknown greater than $368,768)**
Estimated Net FTE Impact on General Revenue Fund	1	1	1

*Note: **The Department of Revenue has estimated that the amnesty program would result in the collection of approximately $74 million in FY 2012 of which approximately $50 million is currently identified and the balance of approximately $24 million would be considered additional revenue. The interest, penalties, and additions to tax waived under the provisions of the amnesty program would be considered foregone prospective future revenue.**

LEGAL DEFENSE AND DEFENDER FUND			
Additional Revenue - reciprocal debt offset program (Section 32.385)	Unknown	Unknown	Unknown
ESTIMATED NET EFFECT ON LEGAL DEFENSE AND DEFENDER FUND	**Unknown**	**Unknown**	**Unknown**

KG:LR:OD

BLIND PENSION FUND			
Revenue reduction - delayed assessment of new unoccupied residential property	$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	**$0**	**(Unknown)**	**(Unknown)**
CONSERVATION COMMISSION FUND			
Additional revenue - DOR collections procedures (Various)	Unknown	Unknown	Unknown
Revenue reduction - sales tax exemption for data storage facilities and server farms (Section 144.810)	(Unknown)	(Unknown)	(More than $100,000)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**Unknown to (Unknown)**	**Unknown to (Unknown)**	**Unknown to (More than $100,000)**
PARKS, AND SOIL AND WATER FUND			
Additional revenue - DOR collection procedures (Various)	Unknown	Unknown	Unknown
Revenue reduction - sales tax exemption for data storage facilities and server farms (Section 144.810)	(Unknown)	(Unknown)	(More than $100,000)
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	**Unknown to (Unknown)**	**Unknown to (Unknown)**	**Unknown to (More than $100,000)**

SCHOOL DISTRICT TRUST FUND

Additional revenue - DOR collection procedures (Various)	Unknown	Unknown	Unknown
Revenue reduction - sales tax exemption for data storage facilities and server farms (Section 144.810)	(Unknown)	(Unknown)	(More than $100,000)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**Unknown to (Unknown)**	**Unknown to (Unknown)**	**Unknown to (More than $100,000)**

FISCAL IMPACT - Local Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
LOCAL GOVERNMENTS			
Additional revenue - DOR collection procedures (Various)	Unknown	Unknown	Unknown
Revenue reduction - Department of Revenue collection percentage (Section 32.087)	(Unknown)	(Unknown)	(Unknown)
Revenue reduction - delayed assessment of new unoccupied residential property (137.082)	$0	(Unknown)	(Unknown)
Revenue reduction - sales tax exemption for data storage facilities and server farms (Section 144.810)	(Unknown)	(Unknown)	(More than $100,000)
Loss - sewer and water fees and uncollected accounts (250.140)	(Unknown greater than $100,000)	(Unknown greater than $100,000)	(Unknown greater than $100,000)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	**Unknown to (Unknown greater than $100,000)**	**Unknown to (Unknown greater than $100,000)**	**Unknown to (Unknown greater than $100,000)**

FISCAL IMPACT - Small Business

This proposal would have an impact to small business which participate in tax credit programs or operate in any of the other economic development programs amended in this proposal.

KG:LR:OD

FISCAL DESCRIPTION

This proposal would make numerous changes to economic development and tax programs.

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

Boone County
City of Kansas City
City of Raytown
City of Richmond
City of St. Louis
Department of Agriculture
Department of Economic Development
Department of Elementary and Secondary Education
Department of Revenue
Iron County
Iron County Hospital
Joint Committee on Public Employee Retirement
Little Blue Valley Sewer District
Local Government Employees' Retirement System
Missouri Housing Development Commission
Office of Administration
    Division of Budget and Planning
Department of Health and Senior Services
Department of Insurance, Financial Institutions and Professional Registration
Department of Natural Resources
Department of Transportation
Office of the Public Counsel
Office of State Public Defender
Department of Conservation
Public Service Commission
Public Water Supply District No. 2 of St. Charles County
State Tax Commission
St. Louis County
Office of the Governor
Metropolitan St. Louis Sewer District
Department of Conservation

KG:LR:OD

SOURCES OF INFORMATION (continued)

Department of Social Services
MO HealthNet
Division of Legal Services
Family Support Division
Income Maintenance

Mickey Wilson, CPA
Director
May 9, 2011

KG:LR:OD