

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1061-01
Bill No.: HB 425
Subject: Children and Minors; Revenue Dept; Taxation and Revenue - Income; Vital Statistics
Type: Original
Date: March 8, 2011

Bill Summary: Would create an income tax dependency exemption for stillborn children.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	(Less than \$36,000)	(Less than \$36,000)	(Less than \$36,000)
Total Estimated Net Effect on General Revenue Fund	(Less than \$36,000)	(Less than \$36,000)	(Less than \$36,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

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	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State**, the **Department of Health and Senior Services**, and the **Department of Social Services** assume this proposal would have no fiscal impact to their organizations.

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 stated that the proposal would create a single-year dependency exemption for taxpayers with a stillborn child. According to data previously supplied to BAP by DHSS, there are an estimated 500 stillbirths annually. The current dependency exemption is \$1,200; therefore, approximately \$600,000 in otherwise taxable income could be exempted. Assuming a 4.5% effective tax rate, General and Total State Revenues could be reduced by \$27,000 annually.

Officials from the **Department of Revenue** (DOR) assume this proposal would have no administrative impact on their organization.

DOR officials provided an estimate of the IT impact to implement the proposal of \$2,120 based on 80 hours to make programming changes to DOR systems.

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

Oversight will use the BAP estimate of stillbirths, the current Missouri childhood dependency exemption of \$1,200, and the maximum income tax rate of six percent. Accordingly, the maximum reduction in income tax revenue for this proposal would be $(500 \times \$1,200 \times 6\%) = \$36,000$. Oversight notes that the number of stillbirths could fluctuate from year to year. For fiscal note purposes only, Oversight assumes the impact would not exceed the calculated amount.

Oversight also assumes this proposal would become effective in August, 2011 and would result in additional dependency exemptions for 2011 on returns filed in 2012 (FY 2012).

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE FUND			
Revenue reduction - dependency exemption for stillborn child	<u>(Less than \$36,000)</u>	<u>(Less than \$36,000)</u>	<u>(Less than \$36,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Less than \$36,000)</u>	<u>(Less than \$36,000)</u>	<u>(Less than \$36,000)</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2012 (10 Mo.)	 FY 2013	 FY 2014
	<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.

FISCAL DESCRIPTION

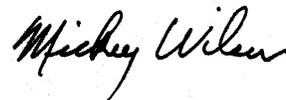
The proposed legislation would authorize an income tax dependency exemption for stillborn children.

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

Office of the Secretary of State
Office of Administration
 Division of Budget and Planning
Department of Health and Senior Services
Department of Revenue
Department of Social Services



Mickey Wilson, CPA
Director
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