

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0638-02
Bill No.: Truly Agreed To and Finally Passed HCS for HB 128
Subject: Counties; Taxation and Revenue - Property
Type: Original
Date: June 6, 2013

Bill Summary: This proposal changes the laws regarding property tax bills, the taxes excluded from tax increment financing redevelopment plans, and the division of interstate income for Missouri corporate income taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
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 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§§ 52.230 - 52.240 - Property Tax Bills:

In response to the previous version of this proposal, officials from the **Boone County Collector** assumed this proposal would result in an unknown or minimal cost to the county. Any up front programming and annual maintenance costs to capture the requests electronically or provide access to property tax bills through the county web page would eventually be offset by savings from reduced paper, printing, and postage costs.

In response to the previous version of this proposal, officials from **St. Louis County** assumed an unknown but minimal cost to local government funds to send property tax bills 30 days before the taxes are delinquent.

Oversight assumes any potential costs resulting from the provisions of these sections to County Collectors could be absorbed with existing resources.

§ 99.845 - Emergency Communications Services Tax:

Oversight notes this provision would exempt emergency communications services taxes from the set-aside requirement in a redevelopment area.

Oversight notes this provision would alter the allocation of tax collections from one local government to another and assumes it would have no net effect on the state or on local governments as a whole.

§ 143.451 - Division of Interstate Income for Missouri Corporate Income Taxation:

Officials from the **Department of Revenue (DOR)** assume the following administrative costs to implement this provision of the proposal:

DOR requests one FTE for a Revenue Processing Technician I (Range 10, Step L) for an expected 2,600 pieces of correspondence to be processed weekly.

Oversight assumes any such cost would be minimal and could be absorbed with existing resources.

ASSUMPTION (continued)

In response to similar legislation from 2013 (HB 1029), officials from the **University of Missouri, Economic and Policy Analysis Research Center** stated they did not have adequate data to prepare an estimate of the fiscal impact for this proposal.

In response to similar legislation from 2013 (HB 1029), officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed this proposal would not result in any additional costs or savings to their organization.

BAP noted that currently, for corporate income tax purposes, a transaction that occurs "partly within the state" is partially included in taxable corporate income.

BAP assumed this proposal would provide corporations with an alternate method for determining if transactions occur in the state or out of the state. To the extent corporations would choose this new method of apportionment, this proposal would reduce General and Total State Revenues by an unknown amount.

Bill as a Whole:

In response to similar legislation from 2013 (HB 1029), officials from the **Office of the Secretary of State (SOS)** stated many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

ASSUMPTION (continued)

Officials at the **Department of Natural Resources, State Treasurer’s Office, Joint Committee on Administrative Rules, Department of Economic Development, City of Kansas City and Missouri Tax Commission** assume the proposal would not fiscally impact their agency.

In response to the previous version of this proposal, officials at the **Parkway School District** assumed the proposal would not fiscally impact their agency.

Officials from numerous County Collectors and School Districts did not respond to **Oversight’s** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND			
<u>Revenue Reduction - DOR</u>			
§ 143.451 - Corporate Taxable Income Calculation	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

§ 143.451 - Division of Interstate Income for Missouri Corporate Income Taxation:

Small businesses which are incorporated could potentially reduce their income tax liability as a result of this proposal.

FISCAL DESCRIPTION

§ 143.451 - Division of Interstate Income for Missouri Corporate Income Taxation:

Currently, to determine Missouri taxable income for a corporation, in-state sales are added to one-half of sales partially occurring in the state and this amount is then divided by total sales. That fraction is then multiplied by the corporation's net income to determine Missouri taxable income. A sale is considered in-state if the seller's shipping point and purchaser's destination point are both in this state. A sale is considered partially in this state if the seller's shipping point is in this state and the purchaser's destination point is outside this state, or vice versa.

This proposal would allow a corporation to determine Missouri taxable income by dividing in-state sales by total sales and then multiplying that fraction by the net income of the corporation. A sale would only be considered in-state if the purchaser's destination point is in this state.

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 Revenue
Office of Secretary of State
Department of Natural Resources
State Treasurer's Office
Department of Economic Development
Missouri Tax Commission
Joint Committee on Administrative Rules
City of Kansas City
Boone County Collector
St. Louis County
Parkway School District

Not Responding:

Numerous County Collectors
Numerous School Districts



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