

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3280-01
BILL NO.: HB 1824
SUBJECT: Department of Agriculture; Income tax credits
TYPE: Original
DATE: April 13, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue Fund	(\$69,438) to (\$569,438)	(\$42,560) to (\$542,560)	(\$43,674) to (\$543,674)
Total Estimated Net Effect on <u>All</u> State Funds	(\$69,438) to (\$569,438)	(\$42,560) to (\$542,560)	(\$43,674) to (\$543,674)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Natural Resources** and the **Department of Economic Development** assume their agencies would not be fiscally impacted by the proposed legislation.

Officials from the **Office of the Attorney General** assume the cost of working with the Department of Agriculture on rulemaking can be absorbed.

Officials from the **Office of Administration - Division of Budget and Planning** assume their agency would not be fiscally impacted by the proposed legislation. However, they noted that there would be impact on total state revenue.

Officials from the **Office of Secretary of State** (SOS) assume that based on experience with other divisions, the rules, regulations and forms issued by the Department of Agriculture could require as many as approximately 6 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the *Code* because cost statements, fiscal notes and the like are not repeated in *Code*. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$22.50. The estimated cost of a page in the *Code of State Regulations* is \$26.50. Therefore, the estimated costs for FY 01 are \$361.50. The actual costs could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.

Officials from the **Department of Agriculture** (AGR) noted that they contacted the Missouri Retailers Association and the Missouri Retail Grocers Association to obtain an estimate of the number of retailers that would take advantage of the tax credit program. These associations estimated that not more than 500 retailers would participate in this program.

Officials from the AGR have requested an Accountant I position to fulfill the duties of this proposal. They assume that the accountant would be responsible for the following: to mail notification of the tax credit program to all Missouri retailers, to perform data entry of all applications for the tax credit, to determine the eligibility of each applicant, to issue a certificate to the eligible applicants and to report tax credit information to the Department of Revenue in a timely manner.

Officials from the **Department of Revenue** (DOR) assume that the number of taxpayers eligible for this tax credit is unknown at this time. The Division of Taxation, Personal Tax Bureau, will need one temporary tax season employee (\$8.00 an hour) for every 130,000 returns filed (key entry) and one Tax Processing Tech I for every 2,000 credits claimed each year (processing). One Tax Processing Tech I will also be needed for every 3,000 additional pieces of

ASSUMPTION (continued)

correspondence and every 30,000 additional errors generated by this legislation. The Division of Taxation, Business Tax Bureau, will need one Tax Processing Tech I for every 3,680 credits claimed.

Officials from the DOR also assume this legislation will require modifications to the individual and corporate income tax systems. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of contract labor, a cost of \$41,617. Modifications to tax returns and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs.

Oversight has adjusted AGR's personal service and fringe benefit expenses to comply with Office of Administration guidelines. Additionally, in reference to the income tax credits, Oversight has reflected a range of \$0 to \$500,000. Oversight utilized AGR's assumptions to arrive at the \$500,000, but the \$500,000 estimate is assuming that those 500 retailers that may participate would claim the maximum credit of \$1,000. However, the proposal states that the credit is to be equal to the lesser of 25% of such advertising costs or \$1,000. Therefore, the aforementioned range has been reflected in the fiscal impact summary.

Oversight has allowed the DOR \$27,391 for reprogramming expenses, State Data Center charges and implementation costs. Oversight assumes the DOR could handle the provisions of this proposal with existing resources or request additional staff through the budget process.

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. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
	(10 Mo.)		
GENERAL REVENUE FUND			
<u>Cost - Department of Agriculture</u>			
Personal Service	(\$20,380)	(\$25,067)	(\$25,694)
Fringe Benefits	(\$6,267)	(\$7,708)	(\$7,901)
Expense and Equipment	<u>(\$15,400)</u>	<u>(\$9,785)</u>	<u>(\$10,079)</u>
Total <u>Cost</u> - AGR	(\$42,047)	(\$42,560)	(\$43,674)

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>Cost - Department of Revenue</u>			
Reprogramming Costs	(\$27,391)	\$0	\$0
<u>Loss - General Revenue</u>			
Income tax credits for advertising costs	<u>\$0 to (\$500,000)</u>	<u>\$0 to (\$500,000)</u>	<u>\$0 to (\$500,000)</u>
Estimated Net Effect on GENERAL REVENUE FUND	(\$69,438) to (\$569,438)	(\$42,560) to (\$542,560)	(\$43,674) to (\$543,674)

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small Missouri businesses who incur advertising costs to promote the sale of value-added agricultural products produced in this state could be affected by this proposed legislation.

DESCRIPTION

This proposal creates a tax credit for Missouri retailers who incur advertising costs to promote the sale of value-added agricultural products produced in Missouri. The credit will be the lesser of 25% of all such advertising costs or \$1,000 and is to be claimed in the year the advertising costs were incurred.

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 Agriculture
- Department of Economic Development
- Department of Natural Resources
- Department of Revenue
- Office of Administration - Division of Budget and Planning

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SOURCES OF INFORMATION (continued)

Office of the Attorney General
Office of Secretary of State

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with a large initial "J".

Jeanne Jarrett, CPA
Director
April 13, 2000