

COMMITTEE ON LEGISLATIVE RESEARCH  
 OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1049-01  
Bill No.: HB 508  
Subject: Education, Elementary and Secondary: Tax Credits  
Type: Original  
Date: February 19, 2001

FISCAL SUMMARY

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on All State Funds*</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

\*Expected to exceed \$100,000 in a given fiscal year.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Total Estimated Net Effect on All Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>School Districts</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

FISCAL ANALYSIS

## ASSUMPTION

Officials from the **Secretary of State's Office (SOS)** assume the rules, regulations and forms issued by the Department of Elementary and Secondary Education could require as many as 12 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 the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$738 for FY 2002. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

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.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume there would be an unknown reduction in General Revenue tax revenues attributable to businesses utilizing the tax credits created under this bill. The amount of this impact is not known.

DESE would require a Supervisor (\$47,616), and DESE's Information Technology (IT) section could need to develop a web-based application process as well.

DESE officials assume there would be a benefit to school districts. However, receipt of this benefit would depend on application and approval for participation in the program. Furthermore, it would be necessary for the districts to attract businesses willing to provide money to the program so that the businesses could receive the tax credits. The extent of participation in the program by businesses can not be determined by DESE.

Officials from the **Department of Revenue (DOR)** assume the number of taxpayers eligible for this credit is unknown at this time. The Division of Taxation would need one temporary tax season employee (a cost of \$6,067) for every 75,000 returns filed with this credit for key entry. In order to process the credits, and the Business Tax Bureau would need one Tax Processing Tech I for every 3,680 credits filed. One Tax Processing Tech I would be needed for every 3,000 pieces of correspondence received regarding the credit and one Tax Processing Tech I would be needed for every 30,000 errors generated.

This legislation would require modifications to the individual income tax system. The Division  
ASSUMPTION (continued)

of Taxation estimates these modifications, including programming changes, would require 1,384

hours of contract labor at a cost of \$41,617. Modifications to the income tax returns and schedules would be completed with existing resources. State Data Center charges would increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 would be requested for implementation.

Oversight notes that there are about 100,000 withholding tax accounts and, therefore, assumes that DOR would not require additional employees due to this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>GENERAL REVENUE FUND</b>			
<u>Loss-General Revenue Fund</u>			
Dropout tax credit program	(Unknown)	(Unknown)	(Unknown)
<u>Cost-Department of Revenue</u>			
Reprogramming Costs	(\$50,624)	\$0	\$0
<u>Cost-Department of Elementary and Secondary Education (DESE)</u>			
Personal Service (1 FTE)	(\$40,672)	(\$50,027)	(\$51,277)
Fringe Benefits	(\$13,556)	(\$16,674)	(\$17,091)
Expense and Equipment	(\$8,863)	(\$6,283)	(\$6,471)
Administrative Costs to DES	(\$63,091)	(\$72,984)	(\$74,839)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*</b>	<b><u>(UNKNOWN)</u></b>	<b><u>(UNKNOWN)</u></b>	<b><u>(UNKNOWN)</u></b>

\*Expected to exceed \$100,000 annually.

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>SCHOOL DISTRICTS</b>			
<u>Income-School Districts</u>			
Business Contributions	Unknown	Unknown	Unknown
<u>Cost-School Districts</u>			
Program Costs	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICTS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

Small businesses would expect to be fiscally impacted to the extent that they would incur costs for contributions to the dropout program and receive tax credits for those contributions.

DESCRIPTION

This proposal would create a program of tax credits for employers who contribute to a school dropout abatement program. Specific amounts of credit for different types of contribution are detailed in the proposal. At-risk students or dropouts residing in the school district would be eligible to participate in the program; other students may be recommended by the principal of the school. Districts would establish programs and apply to the Department of Elementary and Secondary Education for approval; the department would also provide the requisite information to the Department of Revenue.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. The proposal would not affect Total State Revenue.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Department of Revenue  
Secretary of State



Jeanne Jarrett, CPA  
Director  
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