

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1135-01  
Bill No.: HB 432  
Subject: Corporations; Economic Development Dept.; Tax Credits; Taxation and Revenue  
- Income; Revenue Dept.  
Type: Original  
Date: February 11, 2009

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Bill Summary: Would provide an income tax exemption for corporations that do not participate in any program administered by the Department of Economic Development.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
General Revenue	\$0	(More than \$100,000)	(More than \$100,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ 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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Office of the Secretary of State (SOS)** provided the following response.

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, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

Officials from the **Department of Economic Development** and the **Department of Revenue (DOR)** assume this proposal would have no impact on their organizations.

DOR officials provided this estimate of the IT cost to implement the proposal.

Officials from the **Office of Administration, Information Technology Services Division (ITSD/DOR)** estimate that this proposal could be implemented using three FTE existing CIT III for three months for system modifications to the COINS and E-file systems and the EDW interface at a total cost of \$39,969. ITSD/DOR officials assume this proposal could be implemented with existing resources; however, if priorities shift, additional FTE/overtime could be required.

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume there would be no added cost to their organization as a result of this proposal.

BAP officials noted that no corporation directly receives funds from any DED program. The bill language as stated could eliminate corporate income tax in Missouri. Net corporate income tax collections in FY08 totaled \$370.5 million. BAP officials assume that if the bill's intent is to provide income tax exemptions for corporations that do not participate in DED's various tax credit programs, this proposal could lower general and total state revenues. DED may be able to provide a list of corporations that have been awarded tax credits.

**Oversight** notes that corporate income tax revenue amounted to \$529 million for FY 2006, \$554 million for FY 2007, and \$521 million for FY 2008. Oversight assumes this proposal would have a negative impact on the General Revenue Fund in excess of \$100,000 per year since a corporation which does not participate in DED sponsored programs could be exempted from state income taxes by completing a request form. This proposal would be effective for tax years beginning on or after January 1, 2010, and returns for those years would be filed beginning January 1, 2011.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
<b>GENERAL REVENUE FUND</b>			
Revenue reduction - corporate income tax exemption program	<u>\$0</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>(More than \$100,000)</u></b>	<b><u>(More than \$100,000)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

### FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to incorporated small businesses.

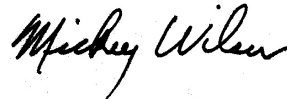
### FISCAL DESCRIPTION

This proposal would provide an income tax exemption for corporations that do not participate in any program administered by the Department of Economic Development.

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

Office of the Secretary of State  
Office of Administration  
Division of Budget and Planning  
Department of Economic Development  
Department of Revenue



Mickey Wilson, CPA  
Director  
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