

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1218-01  
Bill No.: HB 402  
Subject: Banks and Financial Institutions; Revenue Dept.; Taxation and Revenue - General  
Type: Original  
Date: February 25, 2009

---

Bill Summary: Would provide banking institutions with a credit for taxes imposed by foreign states.

**FISCAL SUMMARY**

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<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>

---

## **FISCAL ANALYSIS**

---

### **ASSUMPTION**

Officials from the **Office of the Secretary of State** and the **Department of Insurance, Financial institutions, and Professional Registration** assume this proposal would have no fiscal impact to their organizations.

Officials from the **Department of Revenue** (DOR) assume this proposal would impose a tax on any bank chartered in another state which conducts business in Missouri with no physical presence in Missouri if that bank's home state imposes a tax on a Missouri bank which conducts business in that state with no physical presence in the taxing state. In addition, the proposal would provide a credit to any Missouri bank which conducts business in a foreign state with no physical presence in a taxing state; the credit would be equal to the tax imposed by that state.

DOR officials stated that the impact of this proposal on total state revenue is unknown as this legislation imposes a new tax on some banks and allows tax credits to other banks. DOR officials also stated that this legislation could create a large workload for taxation; however, as many factors are unknown, the potential workload is unknown at this time. DOR officials assume that Corporate Tax would require one FTE Revenue Processing Technician I for administrative and processing purposes.

**Oversight** has not been able to determine or estimate the number of Missouri or foreign banks which might be subject to the tax provisions in this proposal; however, the Department of Insurance, Financial institutions, and Professional Registration website indicated there were 323 state-chartered banks as of September 30, 2008. Oversight assumes that DOR could implement this proposal for a limited number of affected banks with existing resources. If unanticipated costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

Officials from the **Office of Administration, Division of Budget and Planning** did not respond to our request for information.

ASSUMPTION (continued)

**Oversight** assumes this proposal would create a tax on foreign states' banks which conduct business in Missouri if that state taxes Missouri banks on their business in that state, and would provide a tax credit for any Missouri bank in the amount of the tax paid to a foreign state based on its business conducted in that foreign state. Oversight will indicate an unknown amount of revenue for Missouri taxes on foreign state banks and an unknown amount of revenue reduction for foreign state bank tax credits taken by Missouri banks.

**Oversight** assumes this proposal would become effective in August 2009 and would first impact banking companies' tax returns filed in August 2010 (FY 2011).

<u>FISCAL IMPACT - State Government</u>	FY 2010	FY 2011 (10 Mo.)	FY 2012
<b>GENERAL REVENUE FUND</b>			
<u>Revenue increase</u> - taxes on foreign state banks	\$0	Unknown	Unknown
<u>Revenue reduction</u> - foreign state bank tax credits for Missouri banks	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>Unknown to (Unknown)</u></b>	<b><u>Unknown to (Unknown)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

### FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses involved in banking.

### FISCAL DESCRIPTION

This proposal would provide banking institutions with a credit for taxes imposed by foreign states, and would impose a tax on foreign banks which conduct business in Missouri if that bank's home state taxes Missouri banks which conduct business in that state.

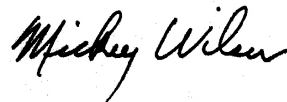
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Office of the Secretary of State  
Department of Insurance, Financial institutions, and Professional Registration  
Department of Revenue

### NOT RESPONDING

**Office of Administration**  
**Division of Budget and Planning**

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
February 25, 2009