

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1762-01
Bill No.: HB 655
Subject: Emergencies; Law Enforcement Officers and Agencies; Revenue Dept.; Tax Credits; Taxation and Revenue - Income
Type: Original
Date: March 9, 2009

Bill Summary: Would provide an income tax credit for reserve public safety officers.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	\$0	(\$64,993,561)	(\$65,046,605)
Total Estimated Net Effect on General Revenue Fund	\$0	(\$64,993,561)	(\$65,046,605)

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

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
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 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

In response to similar proposals, officials from the **Office of the Secretary of State (SOS)** stated that 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 **Office of Administration, Division of Budget and Planning (BAP)** assume there would be no additional costs or savings to their organization as a result of this proposal.

BAP officials assume this proposal would provide an income tax credit equal to \$10 per hour for reserve public safety officers. The tax credit could not exceed \$250 per month or \$3,000 per taxpayer per year. According to officials from the Department of Public Safety, the estimated number of reserve peace officers in Missouri is 2,636. DPS does not have an estimate for the number of reserve fire fighters; however, they estimate the number of "volunteer" firefighters to be approximately 19,000. This proposal could therefore reduce general and total state revenues up to $(\$3,000 \times (2,636 + 19,000)) =$ approximately \$64.9 million per year.

Oversight will use the BAP estimate of fiscal impact for this proposal.

Officials from the **Department of Revenue (DOR)** assume this proposal would create a new tax credit; therefore, state revenues would decrease.

For tax years beginning on or after January 1, 2010 a reserve public safety officer would be eligible for a tax credit would be allowed for hours worked in reserve status; the credit could not exceed \$250 per month nor \$3,000 per year per taxpayer. The credit would not be refundable or transferable and could not exceed the filer's state tax liability, but could be carried forward four years. DOR would create rules to implement these provisions.

ASSUMPTION (continued)

Modifications to the MINITS system and the MO-TC form would be required, and a new form would need to be created for the credit.

Personal Tax would require one FTE Revenue Processing Technician I per 4,000 credits claimed; collections & Tax Assistance would be require one FTE Tax Collection Technician I for every additional 15,000 contacts annually on the delinquent tax line, one FTE Tax Collection Technician I for every additional 24,000 contacts annually on the non-delinquent tax line, and one FTE Revenue Processing Technician I for every additional 4,800 contacts annually in the field.

DOR officials provided an estimate of the cost to implement the proposal including four additional employees and the related equipment and expenditures totaling \$154,455 for FY 2010, \$164,343 for FY 2011, and \$169,273 for FY 2012.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional positions to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has adjusted the DOR estimate of equipment and expenditures in accordance with OA budget guidelines, and Oversight assumes a limited number of additional employees could be accommodated in existing office space.

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

Officials from the **Office of Administration, Information Technology Services Division** (ITSD/DOR) estimates the IT portion of this request could be implemented using one FTE existing CIT III for 1 month for modifications to the MINITS system at a cost of \$4,441. ITSD/DOR officials assume the proposal could be implemented with existing resources; however, if priorities shift, additional FTE and/or overtime would be needed.

Officials from the **University of Missouri, Economic Policy Analysis and Research Center** (EPARC) assume this proposal would allow an individual income tax credit for reserve public safety officers. Specifically, the tax credit would be equal to \$10 per hour worked in reserve status, not to exceed \$250 per month or \$3,000 per taxable year. The credit could not exceed the taxpayer's state tax liability for the tax year it is claimed and is not refundable, but may be carried forward to any of the taxpayer's four subsequent taxable years.

ASSUMPTION (continued)

EPARC officials stated that the income tax database does not identify filers by their occupation as a reserve public safety officer. Accordingly, they were not able to quantify the impact that this proposal could have on Missouri's net general revenue.

Officials from the **Department of Public Safety, Office of the Director**, and the **Missouri State Highway Patrol** assume this proposal would have no fiscal impact to their organizations.

Officials from **Cass County, St. Louis County**, the **City of Centralia**, the **City of Kansas City**, and the **City of West Plains** assume this proposal would have no fiscal impact on their organizations.

Oversight notes that this proposal would be effective for tax years beginning on January 1, 2010 and that there would be a full year's state revenue impact for 2010 (FY 2011). Oversight assumes that returns would be filed claiming this credit beginning in January 2011 (FY 2011) and will indicate one-half year administrative cost for DOR.

<u>FISCAL IMPACT - State Government</u>	FY 2010	FY 2011 (6 Mo.)	FY 2012
GENERAL REVENUE FUND			
<u>Cost - Department of Revenue</u>			
Personnel (4 FTE)	\$0	(\$46,721)	(\$96,245)
Fringe benefits	\$0	(\$22,720)	(\$46,804)
Equipment and expense	<u>\$0</u>	<u>(\$24,120)</u>	<u>(\$3,556)</u>
Total	<u>\$0</u>	<u>(\$93,561)</u>	<u>(\$146,605)</u>
<u>Revenue reduction - Tax credit</u>	<u>\$0</u>	<u>(\$64,900,000)</u>	<u>(\$64,900,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$64,993,561)</u>	<u>(\$65,046,605)</u>
Estimated Net FTE Effect on General Revenue Fund	0	4	4

<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

No direct fiscal impact to small businesses would be expected as a result of this proposal.

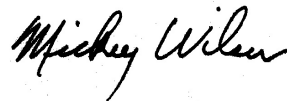
FISCAL DESCRIPTION

This proposal would provide an income tax credit for reserve public safety officers.

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 Public Safety
Office of the Director
Missouri State Highway Patrol
Department of Revenue
University of Missouri
Economic Policy Analysis and Research Center
Cass County
St. Louis County
City of Centralia
City of Kansas City
City of West Plains



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Director
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