

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0053-01
Bill No.: HB 116
Subject: Taxation and Revenue - General, Revenue Dept.
Type: Original
Date: January 26, 2011

Bill Summary: Would create a tax amnesty program for certain taxes paid between August 1, 2011, to October 31, 2011.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	More than \$100,000	Unknown	Unknown
Total Estimated Net Effect on General Revenue Fund	More than \$100,000	Unknown	Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Conservation Commission	Unknown	Unknown	Unknown
Parks, and Soil and Water	Unknown	Unknown	Unknown
Total Estimated Net Effect on Other State Funds	Unknown	Unknown	Unknown

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
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 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume 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 Secretary of State's Office 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 Conservation (MDC)** assume this proposal would have a positive unknown fiscal impact on their organization due to the potential collection of delinquent sales taxes.

Officials from the **Department of Elementary and Secondary Education** deferred to the Department of Revenue as to the potential fiscal impact of this proposal.

Officials from the **Department of Health and Senior Services** assume this proposal would have no fiscal impact on their organization.

Officials from the **Department of Natural Resources (DNR)** noted that this proposal would authorize the Department of Revenue to deposit all collections from the proposed amnesty program, other than revenues earmarked in the state constitution, into the state General Revenue Fund. Therefore, DNR would not anticipate a direct fiscal impact from the proposal.

Officials from the **Department of Revenue (DOR)** assume this proposal could have a positive impact on Total State Revenue in fiscal year 2012 of up to \$70 million. DOR officials stated that the proposal would create an amnesty from the assessment or payment of all penalties, additions to tax, and interest with respect to unpaid taxes or taxes due and owing reported and paid in full from August 1, 2011, to October 31, 2011. DOR officials assume the amnesty would apply only to state tax liabilities due but unpaid on or before December 31, 2010.

ASSUMPTION (continued)

Upon written application by the taxpayer, on forms prescribed by the director of revenue, and upon compliance with the provisions of this section, DOR could not seek to collect any penalty, addition to tax, or interest that may be applicable. In addition, the amnesty would only apply to those taxpayers who have applied for amnesty within the period stated in this section, have filed a tax return for each taxable period for which amnesty is requested, have paid the entire balance due within sixty days of approval by DOR, and agree to comply with state tax laws for the next eight (8) years from the date of the agreement.

If taxpayers elect to participate in the program, that election would constitute an express and absolute relinquishment of all administrative and judicial rights of appeal. Nothing would be interpreted to prevent DOR from adjusting a taxpayer's tax return as a result of any state or federal audit. All tax payments received as a result of the amnesty program would be deposited in the state General Revenue Fund.

DOR would create rules necessary to implement the provisions of this section, and the provisions in the proposal would be effective on July 1, 2011, and expire on December 31, 2014.

DOR and ITSD-DOR would need to make programming changes to all tax systems to identify eligible periods for amnesty and to impose penalty and interest on those amnesty payments if the taxpayer is not in compliance for eight years.

DOR would be required to create a new amnesty form and notices to issue to taxpayers which detail the amount owed and the amount eligible to be waived under the amnesty provisions.

DOR provided an estimate of the cost to implement the proposal including \$348,000 in overtime for existing DOR staff, \$182,143 for fringe benefits on those overtime payments, \$31,850 for office supplies, \$215,600 for postage, and \$400,000 for advertising. The DOR estimate of administrative impact totaled \$1,275,537 in FY 2012.

Oversight will indicate unknown costs in excess of \$100,000 in FY 2012 for the Department of Revenue to administer the amnesty program.

DOR officials stated that collections under previous tax amnesty programs were approximately \$74 million in FY 2002 and \$42 million in FY 2003.

ASSUMPTION (continued)

Oversight will indicate unknown additional revenues from amnesty payments to the state General Revenue Fund in excess of \$100,000 for FY 2012, and unknown amounts of additional revenue for FY 2013 and FY 2014 due to the eight-year compliance agreement with taxpayers who are granted amnesty.

DOR also provided an estimate of the IT cost to implement the proposal of \$97,944 based on 3,696 FTE hours for programming updates to DOR systems.

Oversight assumes ITSD-DOR is provided with core funding to handle a certain amount of activity each year. Oversight also assumes ITSD-DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, ITSD-DOR could request funding through the budget process.

Oversight notes that this proposal would require DOR to deposit all collections from this amnesty program, except for those which are earmarked by the Missouri Constitution, into the state General Revenue Fund. Accordingly, Oversight will indicate an unknown positive fiscal impact from this proposal in FY 2012, FY 2013, and FY 2014 for the Conservation Commission Fund and the Parks and Soils Sales Tax Funds. Other state funds and local governments which would receive additional tax collections under existing provisions would not have a fiscal impact from this proposal.

Oversight also notes that this proposal would authorize DOR to waive penalties, interest, and additions to tax which would be applied and collected under existing provisions regarding delinquent tax administration. Oversight assumes the additional taxes collected would exceed the penalties, interest and additional taxes which would have been collected, and for fiscal note purposes only will indicate an unknown loss of revenue in the General Revenue Fund, the Conservation Commission Fund, and the Parks and Soils Tax Funds in FY 2012 for the potential penalties, interest, and tax additions waived.

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

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE FUND			
<u>Additional Revenue</u> - Sales Tax Amnesty collections	<u>More than \$100,000</u>	<u>Unknown</u>	<u>Unknown</u>
<u>Cost</u> - Department of Revenue Overtime, fringe benefits, office supplies, postage, advertising.	<u>(More than \$100,000)</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenue reduction</u> - interest, penalties, and additions to tax waived.	<u>(Unknown)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>More than \$100,000</u>	<u>Unknown</u>	<u>Unknown</u>
CONSERVATION COMMISSION FUND			
<u>Additional Revenue</u> - Sales Tax Amnesty collections	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<u>Revenue reduction</u> - interest, penalties, and additions to tax waived.	<u>(Unknown)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
PARKS, AND SOIL AND WATER FUNDS			
<u>Additional Revenue</u> - Sales Tax Amnesty collections	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<u>Revenue reduction</u> - interest, penalties, and additions to tax waived.	<u>(Unknown)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2012 (10 Mo.)	 FY 2013	 FY 2014
	<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

The proposed legislation would create a tax amnesty program for certain taxes paid between August 1, 2011, to October 31, 2011.

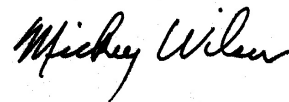
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Department of Conservation
Department of Elementary and Secondary Education
Department of Health and Senior Services
Department of Natural Resources
Department of Revenue

NOT RESPONDING

Office of Administration
Division of Budget and Planning
Department of Agriculture



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Director
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