

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6184-01  
Bill No.: HB 2038  
Subject: Science and Technology; Education, Higher; Higher Education Department  
Type: Original  
Date: March 28, 2014

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Bill Summary: This proposal creates a tax credit for employers who hire students majoring in the fields of science, technology, engineering or mathematics for internships.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0 to (\$50,000)	\$0 to (\$50,000)	\$0 to (\$50,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0 to (\$50,000)</b>	<b>\$0 to (\$50,000)</b>	<b>\$0 to (\$50,000)</b>

**Note:** The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Science, Technology, Engineering & Mathematics*	\$0	\$0	\$0
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Transfers In and expenses net to zero.

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal would not fiscally impact BAP. This proposal provides a process whereby a qualifying taxpayer, that hires a qualifying intern, may apply to the Department of Higher Education to have up to \$5,000 of their tax liability removed from the general fund and placed in the science, technology, engineering and mathematics fund, which may subsequently be appropriated to a higher education institution. The annual limit on funds that may be moved under this proposal is \$50,000. Therefore, the statewide impact for this proposal would be up to \$50,000 General Revenue annually, subject to appropriation.

Officials at the **Department of Higher Education** assume they would need 1/3 of an FTE to be in charge of reviewing applications to have individuals' tax liability removed from General Revenue and placed in the new fund.

**Oversight** assumes the Department of Higher Education could absorb the work of this proposal with existing resources.

Officials at the **Department of Revenue**, the **Joint Committee on Administrative Rules** and the **Office of State Treasurer** each assume there is no fiscal impact to their respective organizations from this proposal.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state an unknown reduction of premium tax revenues as a result of the creation of "Missouri Science, Technology, Engineering and Mathematics Initiative" is possible. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

DIFP will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** state 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, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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.

**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.

**Oversight** assumes this proposal allows for the transfer out of General Revenue and into the Science, Technology, Engineering and Mathematics fund of a taxpayers' tax liability if they hire an intern. Oversight will reflect the loss to General Revenue of \$0 (no money is transferred) to \$50,000 the annual limit allowed under the program. Oversight assumes all money received in the Science, Technology, Engineering and Mathematics fund will be spent according to this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE</b>			
<u>Transfer Out</u> - taxpayers tax liability transferred for hiring an intern	<u>\$0 to (\$50,000)</u>	<u>\$0 to (\$50,000)</u>	<u>\$0 to (\$50,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0 to (\$50,000)</u></b>	<b><u>\$0 to (\$50,000)</u></b>	<b><u>\$0 to (\$50,000)</u></b>

**SCIENCE, TECHNOLOGY,  
 ENGINEERING & MATHEMATICS  
 FUND**

<u>Transfer In</u> - taxpayers' tax liability for hiring an intern	\$0 to \$50,000	\$0 to \$50,000	\$0 to \$50,000
<u>Cost</u> - matching funds for higher education institution programs	<u>\$0 to (\$50,000)</u>	<u>\$0 to (\$50,000)</u>	<u>\$0 to (\$50,000)</u>
<b>ESTIMATED NET EFFECT ON SCIENCE, TECHNOLOGY, ENGINEERING &amp; MATHEMATICS FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

**Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.**

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

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

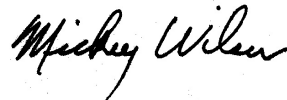
FISCAL DESCRIPTION

This bill specifies that any taxpayer who hires a person who is currently enrolled as a student majoring in science, technology, engineering, or mathematics at a Missouri public or private two-year or four-year college to fill an internship position in one of those fields for at least 15 hours a week for at least 12 weeks may apply to the Department of Higher Education for up to \$5,000 of his or her state tax liability to be removed and placed in the Science, Technology, Engineering and Mathematics Fund. The department must establish a procedure for approving applications and the total amount of taxes transferred to the fund cannot exceed \$50,000 from all participating taxpayers. State tax liability means a person's income tax liability for individuals and a company's liability for income tax, corporate franchise tax, financial institution tax, and utility tax for businesses.

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 Higher Education  
Department of Insurance, Financial Institutions and Professional Registration  
Department of Revenue  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Office of the Secretary of State  
Office of State Treasurer



Mickey Wilson, CPA  
Director  
March 28, 2014

Ross Strobe

L.R. No. 6184-01  
Bill No. HB 2038  
Page 7 of 7  
March 28, 2014

Assistant Director  
March 28, 2014

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