

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1331-01
Bill No.: HB 649
Subject: Children and Minors; Revenue Dept.; Taxation and Revenue - Income
Type: Original
Date: April 13, 2015

Bill Summary: This proposal would authorize an income tax dependency exemption for a stillborn child for the tax year in which the child was born.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$67,584)	(\$30,000)	(\$30,000)
Total Estimated Net Effect on General Revenue	(\$67,584)	(\$30,000)	(\$30,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
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 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive agency responses in a timely manner due to the short fiscal note request time. Oversight has prepared this fiscal note with the best current information that we have, or with prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will prepare an updated fiscal note and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume this proposal would reduce Total State Revenues (TSR) by \$30,000 and would impact the calculation required under Article X, Section 18(e) of the state constitution.

BAP officials noted this proposal would, beginning in 2015, allow a taxpayer to claim a dependent deduction of \$1,200 in the year that a stillbirth occurred. BAP officials cited data provided by the Department of Health and Senior Services (DHSS) which indicated an average of 414 fetal deaths per year from 2009 - 2013 and noted the same state statute defines fetal deaths and stillbirths.

Since deductions do not reduce taxes on a dollar for dollar basis, BAP officials estimated this proposal would reduce TSR \$30,000. BAP officials also stated the numbers may vary in the future due to the impact of SB 509 (2014).

Oversight notes the potential exists for a reduction in the personal income tax rates for 2017, which would have a fiscal impact in FY 2018 when 2017 income tax returns are filed. The rate reduction is contingent on net general revenue collections for the state of Missouri exceeding a statutory threshold, which may or may not occur. Accordingly, Oversight will include a revenue reduction estimate up to the amount calculated above for this proposal.

Officials from the **Department of Revenue (DOR)** assumed similar language in SB 471 LR 2245-1 would, if implemented, allow a dependency exemption in the year in which the stillbirth occurred, if the child would have been a member of the taxpayer's household. The proposal would be effective beginning January 1, 2015.

ASSUMPTION (continued)

Administrative impact

DOR officials did not provide an estimate of administrative cost to implement the proposal, and **Oversight** assumes DOR could implement the proposal with existing resources.

IT impact

DOR officials provided an estimate of the IT cost to implement the proposal of \$37,584 based on 501 hours of contract programming to make changes to DOR systems at the current state contract rate of \$75.

Oversight will include the DOR estimate of IT cost in this fiscal note, in FY 2016.

Officials from the **University of Missouri - Economic and Policy Analysis Research Center (EPARC)** stated this bill would authorize an income tax dependency exemption for a stillborn child for the year in which the stillbirth occurs.

EPARC officials stated that over the last ten years Missouri has averaged 444 fetal deaths per year. At \$1,200 per exemption, these 444 deaths would amount to $(\$1200 \times 444) = \$532,800$ in dependency exemptions. At the maximum individual income tax rate of 6%, these dependency exemptions could reduce General Revenues up to $(\$532,800 \times 6\%) = \$31,968$.

Officials from the **Office of the Secretary of State** and the **Department of Health and Senior Services** assumed similar language in SB 471 LR 2245-1 would have no fiscal impact on their organizations.

Officials from the **Joint Committee on Administrative Rules** assume this proposal would have no impact on their organization.

FISCAL IMPACT - State Government	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Cost - DOR</u>			
IT cost	(\$37,584)	\$0	\$0
<u>Revenue reduction</u>			
Dependency exemption for stillborn child	<u>(\$30,000)</u>	<u>(\$30,000)</u>	<u>(\$30,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$67,584)</u>	<u>(\$30,000)</u>	<u>(\$30,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<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.

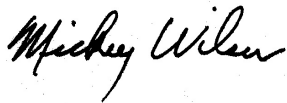
FISCAL DESCRIPTION

This proposal would authorize an income tax dependency exemption for a stillborn child for the tax year in which the child was born.

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
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Health and Senior Services
Department of Revenue
University of Missouri
 Economic and Policy Analysis Research Center



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April 13, 2015

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April 13, 2015