

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1366-06  
Bill No.: Truly Agreed To and Finally Passed SS for SCS for HCS for HB Nos. 517 & 754  
Subject: Employees - Employer; Revenue Department; Taxation and Revenue - Sales and Use  
Type: Original  
Date: June 12, 2015

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Bill Summary: This proposal would change several provisions relating to the Department of Revenue and taxation.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
General Revenue	(Could exceed \$203,444)	(Could exceed \$105,013)	(Could exceed \$105,499)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Could exceed \$203,444)</b>	<b>(Could exceed \$105,013)</b>	<b>(Could exceed \$105,499)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 26 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
School Districts	(Could exceed \$100,000)	(Could exceed \$147,000)	(Could exceed \$147,000)
Conservation Commission	(Less than \$100,000)	(Less than \$105,875)	(Less than \$105,875)
Parks, and Soil and Water	(Less than \$100,000)	(Less than \$104,700)	(Less than \$104,700)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Could exceed \$300,000)</b>	<b>(Could exceed \$357,575)</b>	<b>(Could exceed \$357,575)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</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 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
General Revenue	1 FTE	1 FTE	1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government</b>	<b>(More than \$100,000) to Unknown</b>	<b>(More than \$282,360) to Unknown</b>	<b>(More than \$282,360) to Unknown</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 32.069, RSMo. - Interest on Refunds:

Officials from the **Department of Revenue (DOR)** noted this provision would require the payment of interest on any overpayment of taxes if the overpayment is not refunded within 45 days. Interest would accrue from the date the taxpayer filed the return or the date the taxpayer filed for a credit or refund.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)**, noted this provision would require DOR to remit refunds within 45 days. If the deadline is not met, interest would be paid from the date DOR received the return.

**BAP** officials noted the amount paid out in interest would increase as the time frame for requiring interest payments is reduced, and deferred to DOR for an estimated amount. BAP officials assume the provision would have no impact to Total State Revenue or the calculation required under Section 18(e) of the state constitution.

#### Section 65.620, RSMo. - Township Property Tax after Abolition of Townships:

Under current law, once a township is abolished, property taxes can not be collected for the abolished township. Under this proposal, equivalent property taxes could continue to be collected by the county for a period of one calendar year following the abolishment of the township or until the voters of the county have approved a tax levy for road and bridge purposes, whichever occurs first.

**DOR** officials assume this provision would have no impact on their organization.

**Oversight** did not receive any responses from counties with townships as to the potential impact of property tax revenue from this provision. For fiscal note purposes, Oversight will reflect additional revenue from \$0 to unknown to counties.

ASSUMPTION (continued)

Section 94.579, RSMo. - Public Safety Sales Tax:

Changes to this provision would modify the required ballot language for the public safety sales tax in Springfield.

**DOR** officials assume this provision would have no impact on their organization.

Officials from the **City of Springfield** did not respond to our request for information.

**Oversight** notes this provision would only change the required ballot language in a vote on local sales tax; therefore, any fiscal impact would be the result of an election. Oversight assumes this provision would have no direct fiscal impact on the state or on local political subdivisions.

Section 136.110, RSMo. - Deposit Processing

**DOR** officials note this provision would define the current requirement that all receipts be deposited "promptly" to mean within two business days. DOR officials stated the current average time to deposit is 1.68 days for Personal Tax payments and 1.04 days for Business Tax payments.

Administrative Impact

DOR officials stated that currently, the Motor Vehicle Bureau (MVB) operates on a backlog of transactions that may or may not contain payments, and the backlog varies in length for each separate transaction type. In order to process payments more quickly, DOR officials assume Motor Vehicle Bureau procedures would need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$890 in FY 2016. To ensure that payments received with all motor vehicle and marine transactions are deposited as required, the Motor Vehicle Bureau would require 17 additional Revenue Processing Technician I (Range 10, Step L) FTE to process all transactions within the specified time frame.

The DOR estimate of MVB cost to implement this provisions including 17 additional employees and the related benefits, equipment, and expense totaled \$498,820 for FY 2016, \$476,748 for FY 2018, and \$481,802 for FY 2018.

ASSUMPTION (continued)

**Oversight** assumes these provisions would not result in any additional returns, receipts, refunds, or other transactions; rather, it would require more timely processing of returns, payments, and refunds by the Department of Revenue. No additional full time employees would appear to be required to process this information more promptly, and Oversight will not include the DOR estimate of MVB cost in this fiscal note.

**DOR** officials assume Cashiering would require an additional 3 part-time employees and 1 part-time supervisor, with four additional TMS licenses, and other additional staffing for identified peak processing events.

The DOR estimate of this cost was:

Part time employees (3) and part-time supervisor (1)	\$10,455
TMS License Cost	\$20,000
Staffing cost for other identified peaks	\$ 937
Total	<u>\$31,392</u>

**Oversight** will include the DOR estimate of cashiering cost in our estimate of fiscal impact for this proposal. Oversight notes this proposal would be effective beginning on August 28, 2015 (FY 2016) and assumes these costs would apply to the tax processing season beginning in January 2016 (FY 2016).

**Oversight** also notes that DOR officials did not indicate a fiscal impact for the requirement to deposit all receipts within two days, and assumes the prompt deposit requirement would result in additional interest revenue for the state but we do not have any way to estimate that additional impact and will indicate an unknown increase in revenue for this provision.

Section 143.161, RSMo. - Dependency Exemption for Stillborn:

**BAP** officials assumed this provision would allow a taxpayer to claim a dependent deduction of \$1,200 in the year that a stillbirth occurred, beginning in 2015. According to data provided by the Department of Health and Senior Services (DHSS), there was an average of 414 fetal deaths per year from 2009 - 2013. BAP officials noted the same state statute defines fetal deaths and stillbirths. BAP officials estimated this proposal would reduce Total State Revenues (414 x \$1,200 x 6%) = \$29,808 - rounded to \$30,000. BAP officials assume the numbers may vary in the future due to the impact of SB 509 (2014).

ASSUMPTION (continued)

**Oversight** notes that any potential changes to the maximum individual income tax rate resulting from SB 509 would depend on state revenues increasing to a revenue threshold which may or may not be reached. Oversight will use the BAP estimate of fiscal impact beginning in FY 2016 when tax returns for 2015 would be filed. Oversight will include the fiscal impact for this proposal in the year the affected tax return would be filed.

**DOR** officials stated this provision 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.

Based on information provided by the Department of Health and Senior Services indicating the average number of stillbirths for the last five years was 415, DOR officials estimated the fiscal impact of this provision would be  $(415 \times \$1,200 \times 6 \text{ percent}) = \$30,000$  (rounded).

Administrative impact

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

IT impact

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

Section 143.191, RSMo. - Withholding Tax on Gratuities:

Changes to this provision would limit the amount of withholding tax required on gratuities, and would limit the employer's liability related to that withholding.

**BAP** officials note this provision would require employee withholding to be based on an employee's written statement to their employer of the total tips received; this provision would not require an employer to withhold additional money in the event an employee's written statement under-reports tips.

ASSUMPTION (continued)

**BAP** officials assume this provision would not impact Total State Revenues or the calculation under Article X, Section 18(e) of the state constitution.

**DOR** officials assume this provision would limit the calculation of income tax withholding on tips received by employees to the greater of the total amount of tips that an employee reports to the employer in a written statement or the amount of tips received by the employer and remitted to the employee.

DOR officials assume Collections and Tax Assistance would have additional customer contacts from employers with questions on employee withholding, and would require one additional Tax Collection Technician (Range 10, Step L) for every additional 15,000 contacts annually on the non-delinquent tax line, with CARES equipment.

**Oversight** notes this provision would make Missouri withholding requirements similar to federal requirements and assumes there would be minimal additional inquiries, which could be absorbed with existing resources.

Section 143.801, RSMo. - Credits and Refunds:

Changes to this provision would allow a taxpayer to claim a credit or refund for overpayment of income taxes after the statute of limitations for making a claim has expired, if the taxpayer files an amended return or if the federal Internal Revenue Service changes the taxpayer's return. The Department would be required to notify the taxpayer of the overpayment and the taxpayer could file a claim for a credit or refund within one year of the notice.

**BAP** officials assume this provision could reduce Total State Revenues and general revenue but would not have an impact on the calculation of excess revenue under Section 18(e) of the state constitution.



ASSUMPTION (continued)

**DOR** officials assume Personal Tax would require two additional Revenue Processing Technicians I for returns processed and error correction. In addition, Corporate Tax would require one additional Revenue Processing Technician I for correspondence, and programming time to develop and install new notice messages and notices. Collections and Tax Assistance would require two additional Tax Collection Technicians I for calls to the delinquent and non-delinquent call centers. These personnel would require CARES equipment. Finally, Withholding Tax would require one additional Revenue Processing Technician I for additional withholding correspondence processed. Withholding Tax would also require programming to develop new notices.

The DOR estimate of cost to implement this provision including seven additional employees and the related benefits, equipment, and expense totaled \$207,933 for FY 2016, \$197,129 for FY 2017, and \$199,231 for FY 2018.

**Oversight** assumes a relatively small number of additional refunds would be allowed by this proposal and assumes DOR could implement this proposal with existing resources. If an unanticipated additional workload is created by this proposal or if multiple proposals are implemented which increase the DOR workload, additional resources could be requested through the budget process.

**Oversight** notes the proposal would require DOR to create a process to allow a taxpayer to claim refunds and credits which can not be claimed under current statute of limitations provisions. That process would become available if the taxpayer files an amended federal return, or the Internal Revenue Service changes the taxpayer's federal return and the changes would make the taxpayer eligible for a credit or refund.

**Oversight** will assume this proposal would result in an unknown amount of additional refund payments.

IT impact

**DOR** officials also provided an estimate of the IT cost to implement this proposal of \$50,350 for 671 hours of contractor programming at \$75 per hour.

**Oversight** will include the DOR estimate of IT cost in this fiscal note.

ASSUMPTION (continued)

Section 143.811, RSMo. - Time Limit for Interest on Refunds:

**DOR** officials noted the legislation would reduce the time allowed to refund tax overpayments without paying interest from 90 to 45 days. Interest on unpaid refunds would accrue from the date the Department received the return.

Fiscal impact

Based on approximately 318,000 overpayments issued during calendar year 2014 that took longer than 45 days to issue, DOR officials estimated that interest in the amount of \$60,000 would have been paid if the 45 day limit had been in place. DOR officials also stated the current interest rate on overpayments is 0.6 percent; because that rate may vary, the potential impact could increase.

**Oversight** assumes the additional interest cost would be less than the DOR estimate of \$60,000.

Administrative Impact

**DOR** officials assumed the Department would require programming changes to various systems in order to implement the legislation. DOR officials assumed Personal Tax would require an additional ten (10) Revenue Processing Technicians I (Range 10, Step L) and Collections and Tax Assistance (CATA) would require two additional Tax Collection Technicians I (Range 10, Step L), one for every additional 15,000 contacts annually on the delinquent tax line and one for every additional 15,000 on the non-delinquent tax line. DOR officials assumed each technician would require CARES equipment and license.

The DOR estimate of cost to implement this provision including seven additional employees and the related benefits, equipment, and expense totaled \$352,822 for FY 2016, \$337,075 for FY 2017, and \$340,657 for FY 2018.

**Oversight** notes this proposal would likely impact a limited number tax returns and would not be expected to have an impact on the number of returns filed. In addition, Oversight notes a significantly high percentage of income tax returns are prepared online, electronically, or by paid preparers. Oversight assumes there would not be a significant number of additional errors resulting from the changes in this proposal; and therefore assumes existing DOR staffing would be adequate to implement this proposal. If unanticipated additional costs are incurred or if multiple proposals are implemented that increase DOR costs or the workload for DOR employees, resources could be requested through the budget process.

ASSUMPTION (continued)

Section 144.020, RSMo. - Sales Tax on Gratuities:

Officials from the **Department of Revenue (DOR)** did not provide an estimate of fiscal impact for this provision but assume implementing this provision would require one additional Tax Collection Technician (Range 10, Step L); the DOR estimate of cost to implement this proposal including the additional employee, benefits, equipment, and expense totaled \$41,204 for FY 2016, \$42,044 for FY 2017, and \$42,480 for FY 2018.

**Oversight** assumes this provision could be implemented by DOR with existing resources; if an unanticipated additional workload is created by this provision or if multiple provisions are implemented which significantly increase the DOR workload, resources could be requested through the budget process.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would exempt mandatory gratuities at restaurants from state sales tax. BAP officials noted that due to recent changes in the federal Internal Revenue Service rules regarding mandatory gratuities for federal tax purposes, most restaurants have begun moving away from charging these mandatory fees. Therefore, BAP officials assume this proposal would reduce Total State Revenue by less than \$100,000 and General Revenue by less than \$71,000 per year.

BAP officials provided an estimate of revenue reduction by fund for this proposal as follows.

Fund or Entity	FY 2016	FY 2017	FY 2018
General Revenue	\$28,000	\$71,000	\$71,000
Conservation	\$1,000	\$3,000	\$3,000
Parks, and Soil and Water	\$1,000	\$2,000	\$2,000
Education	\$9,000	\$24,000	\$24,000
Total	\$71,000	\$100,000	\$100,000

ASSUMPTION (continued)

**Oversight** has no independent information regarding the amount of mandatory service charges at restaurants, and will assume for fiscal note purposes the BAP estimate is the best available. Oversight notes the full year estimate of \$100,000 in revenues would indicate a taxable sales base of  $(\$100,000 / .04225) = \$2,366,864$ . For convenience, Oversight will round that amount to \$2.4 million and compute sales taxes on that amount as shown in the following table.

		Estimated Revenue Reduction	
Fund	Sales Tax Rate	Ten Months	Twelve Months
General Revenue	3.000%	\$60,000	\$72,000
School District Trust	1.000%	\$20,000	\$24,000
Conservation Commission	0.125%	\$2,500	\$3,000
Parks, and Soil and Water	0.100%	\$2,000	\$22,400
Local Governments *	3.880%	\$77,600	\$93,100
* The 3.88 percent average local government sales tax rate was calculated by Oversight based on tax collections reported by the Department of Revenue.			

For fiscal note purposes, **Oversight** will indicate a revenue reduction less than \$100,000 per year for the General Revenue Fund, other state funds that receive sales tax revenues, and for local governments.

ASSUMPTION (continued)

Section 144.030, RSMo. - Sales Tax Exemption for Sales of Aircraft to Out-of-state Entities:

Changes to this provision would create a sales tax exemption for aircraft sold to nonresidents or to corporations not incorporated in Missouri.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** noted there were \$140.9 million in taxable sales for aircraft dealers reported by DOR for 2014:

BAP officials stated they were unable to determine how much of these sales may have been for qualifying aircraft or parts, or if there are other aircraft-related sales that may be coded to other Standard Industry Codes. BAP officials estimated this provision would reduce Total State Revenues by less than \$6.0 million.

Officials from the **Department of Revenue** assume this provision would have no impact on their organization.

Officials from the **City of Kansas City** assume their organization would have a small revenue reduction due to the sales tax exemption for aircraft sold to nonresidents but did not have the data required to estimate that revenue reduction.

**Oversight** assumes the sales tax reduction on the \$140.9 million in sales reported by DOR would be calculated as shown below.

<u>Fund or entity</u>	<u>Sales Tax Rate</u>	<u>Revenue Reduction</u>	
		<u>Ten months</u>	<u>Full year</u>
General Revenue	3.000%	\$3,522,500	\$4,227,000
School District Trust	1.000%	\$1,174,167	\$1,409,000
Conservation Commission	0.125%	\$146,771	\$176,125
Parks, and Soil and Water	0.100%	\$117,417	\$140,900
Local Governments *	3.880%	\$4,555,767	\$5,466,920

\* The 3.88% average rate for local governments was computed by Oversight based on collections reported by the Department of Revenue.

ASSUMPTION (continued)

**Oversight** notes this proposal would create a new sales and use tax exemption for the sale of aircraft to non residents, and assumes the exemption would be effective in August, 2015 (FY 2016), and would continue to have an impact in FY 2017 and FY 2018. Oversight assumes the BAP estimate would include sales to Missouri residents and other sales not eligible for the tax exemption, but has no information as to the number or amounts of aircraft sales to nonresidents which might be included in the sales of aircraft dealers reported above, or which might be included in other industry categories.

For fiscal note purposes, **Oversight** will assume this proposal would result in a revenue reduction greater than \$100,000 per year for the General Revenue Fund, School District Trust Fund, and local governments; and the Conservation Commission Fund and the Parks, and Soil and Water Fund would have a revenue reduction less than \$100,000 per year.

Section 144.049, RSMo. - Sales Tax Exemption for Certain Graphing Calculators:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** noted this provision would add graphing calculators valued at \$150 or less to the list of purchases eligible for the sales tax holiday in August, and would reduce the maximum price of a personal computer or peripheral device eligible for the sales tax holiday exemption from \$3,500 to \$1,500.

Graphing calculators

Using numbers provided by the Department of Economic development, BAP officials estimate that adding graphing calculators to the list of exempt items would reduce Total State Revenue (TSR) by as much as \$200,000 and General Revenue by as much as \$140,000.

**Oversight** assumes many but not necessarily all of the graphing calculators in the BAP estimate of sales would be purchased during the sales tax holiday. Oversight also notes that local governments could opt out of the sales tax holiday. Oversight has calculated the following estimated impact of the proposed sales tax exemption for graphing calculators based on the BAP estimate of qualifying sales. ( $\$140,000/3\%$ ) = \$4.7 million (rounded).

ASSUMPTION (continued)

Fund	Sales Tax Rate	Revenue Reduction
General Revenue	3.0000%	\$141,000
School District Trust	1.0000%	\$47,000
Conservation Commission	0.1250%	\$5,875
Parks, and Soil and Water	0.1000%	\$4,700
Local Governments *	3.8800%	\$182,360
* The 3.88 percent average local government sales tax rate was calculated by Oversight based on tax collections reported by the Department of Revenue.		

**Oversight** notes the amounts calculated would be considered maximum amounts for the sales tax exemption and will indicate a fiscal impact up to the amounts calculated.

Section 144.049, RSMo. - Reduction in maximum price for personal computers and peripheral equipment:

BAP officials stated they could not estimate the number and price of computers and peripheral devices sold during the sales tax holiday. BAP officials assume that by reducing the price cap on these items, there may be an unknown positive impact on TSR.

**Oversight** notes the reduction in the maximum price on qualifying personal computers could lead to an increase in sales tax revenue, since fewer purchases would be qualified for the sales tax exemption. Oversight has no specific information regarding the number or amount of sales of personal computers and peripherals, but notes the proposed \$1,500 cap exceeds the allowable state agency cost for a personal computer based on OA budget guidelines for desktop and notebook computers.

ASSUMPTION (continued)

**Oversight** assumes the impact of this provision would be relatively low but is unable to estimate the impact of the reduced price cap on qualified purchases during the sales tax holiday.

Oversight will indicate unknown additional revenue for this provision for the General Revenue Fund, other state funds which receive sales tax revenues, and for local governments.

**Oversight** also notes the proposal would become effective after the sales tax holiday in August of 2015 (FY 2016) so the first impact would be in FY 2017.

Section 144.080, RSMo. - Advertising Sales Tax Absorbed by Seller:

Changes to this provision would remove the current prohibition on advertising that the sales tax will be absorbed by the seller.

Officials from the **Office of Administration - Division of Budget and Planning** and the **Department of Revenue** assume this proposal would have no fiscal impact on their organizations.

**Oversight** assumes this provision would have no impact on the state or on local governments.



ASSUMPTION (continued)

Bill as a whole responses:

Officials from the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organization in excess of current resources.

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. SOS officials recognize this is a small amount and do not expect that additional funding would be required to meet these costs. However, they 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 SOS can sustain with their core budget. Therefore, SOS officials stated they 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 **St. Francois County, St. Louis County**, the **St. Louis County Directors of Elections**, assume this proposal would have no fiscal impact on their organizations.

Officials from the **Department of Conservation (MDC)** assume this proposal would have an unknown negative fiscal impact on their organization, but greater than \$100,000. MDC officials assume the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Officials from the **Department of Natural Resources (DNR)** assume the Department of Revenue and Office of Administration-Budget and Planning will provide a more detailed account of the fiscal impact of this proposal.

Oversight assumptions and comments:

**Oversight** notes that sales tax revenues in the School District Trust Fund are allocated to Missouri school districts according to a formula in Section 163.087, RSMo., and distributed along with other revenues in the fund but Oversight will not include those distributions in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>GENERAL REVENUE FUND</b>			
<u>Additional revenue</u>			
Price limit on sales tax exemption on computers			
Section 144.049	Unknown	Unknown	Unknown
<u>Revenue reduction - DOR</u>			
Refunds			
Section 143.801	(Unknown)	(Unknown)	(Unknown)
<u>Cost - DOR</u>			
IT cost			
Section 143.801	(\$50,350)	\$0	\$0
<u>Revenue reduction</u>			
Sales tax exemption on mandatory gratuities			
Section 144.020	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
<u>Revenue reduction</u>			
Sales tax exemption on graphing calculators			
Section 144.049	\$0	(Up to \$141,000)	(Up to \$141,000)
<u>Cost - DOR</u>			
IT cost			
Section 143.161	(\$37,584)	\$0	\$0
<u>Revenue reduction</u>			
Dependency exemption for stillborn child			
Section 143.161	(\$30,000)	(\$30,000)	(\$30,000)
<u>Revenue reduction</u>			
Sales tax exemption on aircraft			
Section 144.030	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
<u>Additional revenue - DOR</u>			
Interest from prompt deposit requirement Section 136.110	Unknown	Unknown	Unknown
<u>Cost - DOR</u>			
Salaries	(\$33,523)	(\$33,858)	(\$34,197)
Benefits	(\$8,629)	(\$8,715)	(\$8,802)
Equipment and expense	(\$26,205)	(\$2,440)	(\$2,500)
IT cost	<u>(\$75,087)</u>	<u>\$0</u>	<u>\$0</u>
Total DOR cost Section 143.811	(\$143,444)	(\$45,013)	(\$45,499)
FTE change - DOR	1 FTE	1 FTE	1 FTE
<u>Cost - DOR</u>			
Interest on Refunds Section 143.811	(Less than <u>\$60,000</u> )	(Less than <u>\$60,000</u> )	(Less than <u>\$60,000</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>(Could exceed <u>\$203,444</u>)</b>	<b>(Could exceed <u>\$105,013</u>)</b>	<b>(Could exceed <u>\$105,499</u>)</b>
Estimated Net FTE Effect on General Revenue Fund	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Additional revenue</u>			
Price limit on sales tax exemption on computers			
Section 144.049	Unknown	Unknown	Unknown
<u>Revenue reduction</u>			
Sales tax exemption on graphing calculators			
Section 144.049	\$0	(Up to \$47,000)	(Up to \$47,000)
<u>Revenue reduction</u>			
Sales tax exemption on aircraft			
Section 144.030	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b>(Could exceed <u>\$100,000</u>)</b>	<b>(Could exceed <u>\$147,000</u>)</b>	<b>(Could exceed <u>\$147,000</u>)</b>

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>CONSERVATION COMMISSION FUND</b>			
<u>Additional revenue</u>			
Price limit on sales tax exemption on computers Section 144.049	Unknown	Unknown	Unknown
<u>Revenue reduction</u>			
Sales tax exemption on graphing calculators Section 144.049	\$0	(Up to \$5,875)	(Up to \$5,875)
<u>Revenue reduction</u>			
Sales tax exemption on aircraft Section 144.030	(Less than <u>\$100,000</u> )	(Less than <u>\$100,000</u> )	(Less than <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b>(Less than <u>\$100,000</u>)</b>	<b>(Less than <u>\$105,875</u>)</b>	<b>(Less than <u>\$105,875</u>)</b>

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
 <b>PARKS, AND SOIL AND WATER FUNDS</b>			
 <u>Additional revenue</u>			
Price limit on sales tax exemption on computers			
Section 144.049	Unknown	Unknown	Unknown
 <u>Revenue reduction</u>			
Sales tax exemption on graphing calculators			
Section 144.049	\$0	(Up to \$4,700)	(Up to \$4,700)
 <u>Revenue reduction</u>			
Sales Tax exemption on aircraft			
Section 144.030	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
 <b>ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS</b>			
	<b><u>(Less than \$100,000)</u></b>	<b><u>(Less than \$104,700)</u></b>	<b><u>(Less than \$104,700)</u></b>

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

Additional revenues - Counties

Property tax revenues after townships abolished

Section 65.620	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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Additional revenue

Price limit on sales tax exemption on computers

Section 144.049	Unknown	Unknown	Unknown
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Revenue reduction

Sales tax exemption on graphing calculators

Section 144.049	\$0	(Up to \$182,360)	(Up to \$182,360)
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Revenue reduction

Sales Tax exemption on aircraft

Section 144.030	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )
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<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b>(More than \$100,000) to <u>Unknown</u></b>	<b>(More than \$282,360) to <u>Unknown</u></b>	<b>(More than \$282,360) to <u>Unknown</u></b>
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FISCAL IMPACT - Small Business

A small business could receive a tax credit or refund which was previously unavailable due to the statute of limitations if this proposal is implemented.

## FISCAL DESCRIPTION

This proposal would make changes to existing provisions regarding the Department of Revenue and taxation.

### Interest on Overpayments

The Department of Revenue would be required to pay interest on overpayments if the amount is not paid within 45 days, and the Department of Revenue would be required to deposit all receipts within two days.

### Local Governments

A township county could collect the equivalent of a township road and bridge levy for up to one year after townships were abolished. The required ballot language for a City of Springfield Public Safety Sales Tax would be modified.

### Individual Income Tax

A dependency exemption would be allowed for a stillborn child in the year it was stillborn.

The calculation of state income tax withholding on tips received by an employee in the course of his or her employment would be limited to the amount of total tips reported to the employer in a written statement, and an employer could not be obligated to pay withholding tax to the Department of Revenue for an employee's under-reported cash tip income. The amount of cash tips that are reportable would be based on federal Internal Revenue Code provisions.

A taxpayer would be allowed to claim a credit or refund of an income tax overpayment after the statute of limitations has passed if the taxpayer files an amended return or the federal Internal Service changes the taxpayer's return. The Department of Revenue would be required to notify the taxpayer of any overpayment discovered and the taxpayer would be allowed to file a claim for the credit or refund within one year of the notice.

### Sales Tax

Mandatory gratuities imposed by a restaurant for a large group would not be subject to state and local sales tax when the tip is included in the employee's tip income. Sales of aircraft to nonresidents and foreign corporations would be exempted from sales tax. A seller would be permitted to advertise that sales tax would be absorbed on merchandise sold.



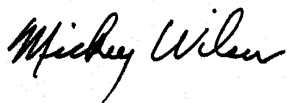
FISCAL DESCRIPTION (continued)

Certain graphing calculators would be added to the merchandise subject to a sales tax exemption during the Back-to-School Sales Tax Holiday and the maximum price for a computer or peripheral equipment subject to the Back-to-School Sales Tax Holiday would be reduced from \$3,500 to \$1,500.

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  
Office of the State Auditor  
Joint Committee on Administrative Rules  
Department of Conservation  
Department of Economic Development  
Department of Insurance, Financial Institutions, and  
Professional Registration  
Office of Administration  
Division of Budget and Planning  
Information Technology Services Division  
Department of Revenue  
State Tax Commission  
Cole County  
St. Louis County  
City of Columbia  
City of Kansas City  
Platte County Board of Election Commissioners



Mickey Wilson, CPA  
Director

Ross Strobe  
Assistant Director

L.R. No. 1366-06

Bill No. Truly Agreed To and Finally Passed SS for SCS for HCS for HB Nos. 517 & 754

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