

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6127-01
Bill No.: HB 2305
Subject: Taxation and Revenue - Income, Veterans, Taxation and Revenue - General,
 Department of Higher Education
Type: Original
Date: February 23, 2018

Bill Summary: This proposal authorizes a tax deduction for certain veterans who receive income through student loan forgiveness.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	\$0	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on General Revenue	\$0	(Less than \$100,000)	(Less than \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume that beginning with tax year 2019, this proposal would allow a deduction for any income included in a taxpayer's federal adjusted gross income due to the Teacher Loan Forgiveness Program, if the taxpayer is a veteran with a total service-connected disability. Based on information provided by DESE and data available from the US Census Bureau on the number of veterans who may qualify, B&P estimates that this proposal would reduce Total State Revenue and General Revenue by less than \$100,000 annually, beginning in FY 2020.

This proposal will reduce Total State Revenue and General Revenue by less than \$100,000 annually. This proposal will impact the calculation under Article X, Section 18(e).

Officials at the **Department of Revenue (DOR)** assume §143.116, states an eligible taxpayer shall be allowed a deduction equal to the amount of any income from a loan forgiveness program included in the taxpayer's federal adjusted gross income. The Department estimates that this could reduce state revenues by less than \$100,000 each fiscal year.

The Personal Tax Section requires one Revenue Processing Technician I (\$26,340) for every 14,700 errors created. Personal Tax requires one Revenue Processing Technician I (\$26,340) for every 5,700 pieces of correspondence generated.

Oversight assumes DOR's Personal Tax Section could absorb the responsibilities of this tax deduction with existing resources. Should DOR experience the number of additional tax deductions to justify another FTE, they could seek that FTE through the appropriation process.

Officials at the **Department of Higher Education** and the **Joint Committee on Administrative Rules** each assume there is no fiscal impact from this proposal.

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

ASSUMPTION (continued)

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 notes this proposal would allow a veteran with a total service-connected disability, who participates in the Teacher Loan Forgiveness Program administered by the United States Department of Education to receive a deduction equal to the amount of income from the loan forgiveness program to be included in the taxpayer's federal adjusted gross income.

The Teacher Loan Forgiveness Program gives teachers who teach full-time for five complete and consecutive academic years in a low-income school or educational service agency to be eligible for forgiveness on their direct subsidized and unsubsidized loans. A teacher who teaches math or science can be eligible for up to \$17,500 in loan forgiveness while all other teachers can get up to \$5,000 in loan forgiveness. PLUS loans and Federal Perkins Loans are not eligible for this loan forgiveness.

According to information received by the Missouri Veterans Commission, in federal fiscal year 2015 Missouri was home to approximately 9,100 veterans with a 100% service connected disability rating. Oversight is unable to determine how many of those veterans participate in the Teacher Loan Forgiveness Program.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE			
<u>Revenue Reduction</u> - deduction for certain veterans receiving loan forgiveness income	<u>\$0</u>	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<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

Beginning January 1, 2019, this bill authorizes an individual income tax deduction equal to 100% of any student loan forgiveness a veteran with a total service-connected disability received from the Teacher Loan Forgiveness Program administered by the United States Department of Education.

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 Revenue
Joint Committee on Administrative Rules
Office of Administration
Division of Budget and Planning
Office of the Secretary of State

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