

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6148-01
Bill No.: HB 2540
Subject: Taxation and Revenue - General, Tax Incentives, Taxation and Revenue - Sales and Use, Taxation and Revenue - Income, Department of Revenue, Corporations, Gambling, Elderly, Public Assistance, Health Care
Type: Original
Date: March 5, 2018

Bill Summary: This proposal changes the laws regarding the collection of state moneys.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
General Revenue	(\$278,605,914)	(\$414,687,084)	(\$318,210,578)	(\$181,994,842)
Total Estimated Net Effect on General Revenue	(\$278,605,914)	(\$414,687,084)	(\$318,210,578)	(\$181,994,842)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 59 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
Conservation Commission	\$800,000	\$1,800,000	\$2,100,000	\$2,100,000
Parks, Soil & Water	\$500,000	\$1,500,000	\$1,700,000	\$1,700,000
School District Trust	\$5,900,000	\$14,400,000	\$16,900,000	\$16,900,000
Other Managed Care Organization*	\$0*	\$0*	\$0*	\$0*
Mo Senior Services Protection Fund	\$0	\$40,000,000	\$40,000,000	\$40,000,000
State Highway Fund	\$78,858,251	\$160,617,712	\$163,518,921	\$170,458,828
Motorcycle Safety Fund	\$101	\$206	\$210	\$218
Highway Patrol Inspection Fund	\$3,092,184	\$6,184,367	\$6,314,239	\$6,582,222
Capitol Complex	\$0	Up to \$20,000,000	Up to \$20,000,000	Up to \$20,000,000
Total Estimated Net Effect on <u>Other</u> State Funds	\$89,150,536	\$244,502,285	\$250,533,370	\$257,741,268

* Provider tax income and DSS program costs net to zero.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
Federal Funds*	\$0*	\$0*	\$0*	\$0*
Total Estimated Net Effect on All Federal Funds	\$0*	\$0*	\$0*	\$0*

* Provider tax income and DSS program costs net to zero.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2023)
General Revenue	4 FTE	4 FTE	4 FTE	4 FTE
Federal	1 FTE	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	5 FTE	5 FTE	5 FTE	5 FTE

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	Fully Implemented (FY 2023)
Local Government	\$4,986,083	\$20,039,236	\$30,206,307	\$32,519,610

FISCAL ANALYSIS

ASSUMPTION

TAXATION

§8.110 DOC facilities under control of OA/FMDC

Officials at the **Office of Administration's Division of Facilities Management, Design and Construction (OA/FMDC)** assume the proposed legislation would place the maintenance and repair of all facilities belonging to the Department of Corrections (DOC) under the control and management of OA/FMDC. In order to comply with this provision, funding for maintenance operations and fuel & utilities would be required to be transferred to the administration of OA/FMDC (HB 5 and HB 13).

Personal Service funding and fringe for approximately 470 maintenance personnel would be required to be transferred to HB 13 (and corresponding spending authority and FTE appropriated in HB 5). Based on current staffing, the total estimated Personal Service and fringe dollars required to be transferred to OA/FMDC in HB 13 is approximately \$26 million. An additional \$1 million would be needed to cover the Governor Recommends Pay Plan/Fringe NDIs should funding for those NDIs be appropriated.

Based on currently available expenditure data, a conservative estimate of the additional expense and equipment (E&E) dollars that would be required to be transferred to OA/FMDC in HB 13 is approximately \$5.8 million. In addition, based on Section 9.050, \$29,090,422 in fuel & utilities (F&U) funding would also be required to be transferred to HB 13. Corresponding spending authority for the E&E and F&U transfer amounts would also be required to be appropriated in HB 5.

The total estimated amount required in HB 13 (and corresponding spending authority and FTE appropriated in HB 5) is as follows:

Personal Service Core:	\$16,202,966
Personal Service Fringe Core:	\$ 9,859,730
Personal Service Pay Plan/Fringe NDIs:	\$ 1,058,088
Equipment and Expense	\$ 5,774,313
Fuel & Utilities	<u>\$29,090,422</u>
Total:	\$61,985,519

ASSUMPTION (continued)

O/A FMDC assumes an additional \$325,822 would be required in HB 13 and corresponding authority in HB 5 to cover the estimated fiscal impact of perfected SS No. 5 for SB 564 as written in L.R. No. 5027-11.

Officials at the **Department of Corrections (DOC)** assume the maintenance operations for DOC facilities were consolidated under the OA/FMDC in FY 2007. In FY 2015, DOC facility maintenance operations were de-consolidated and returned to DOC control. The financial impact of returning the maintenance and repair operations to OA/FMDC is unknown.

Officials at the **Office of Administration Division of Budget and Planning (BAP)** assume this section would place the maintenance and repair of facilities belonging to the DOC under the control of OA/FMDC. B&P estimates that this provision will not impact Total State Revenue or the calculation under Article X, Section 18(e).

Oversight notes this proposal would transfer from the Department of Corrections to the Office of Administration the maintenance and repair of all the Department of Corrections' facilities. This transfer would involve the transfer of all people, expenses and equipment associated with the facilities to OA/FMDC. Oversight will not show an impact in the fiscal note from this provision as it is a transfer for budgeting purposes and does not impact Total State Revenue.

§32.070, Chapters 67 & 144 - Streamlined Sales and Use Tax Agreement (SSUTA)

Officials at the **B&P** assume this section directs the director of the Department of Revenue to join the Streamlined Sales and Use Tax Agreement. Based on actual SSUTA collections in other states, B&P estimates this proposal could generate \$21.2 million in Total State Revenues annually, between General Revenue, Conservation Commission Fund, Parks, Soil & Water Fund and the School District Trust Fund. However, the full amount may not be collected during the first year, due to the administrative processes of becoming a full-member state of the SSUTA. B&P notes that some of the increase to local tax collections will be offset by the removal of exemptions from sales tax holidays.

ASSUMPTION (continued)

Fund Affected	FY 2019	FY 2020	FY 2021
General Revenue	\$0	\$7,500,000	\$15,100,000
Conservation	\$0	\$300,000	\$600,000
Parks, Soil & Water	\$0	\$300,000	\$500,000
School District Trust	\$0	\$2,500,000	\$5,000,000
Total	\$0	\$10,600,000	\$21,200,000

Officials at the **Department of Revenue (DOR)** assume this section of law may allow the state to enter the Streamlined Sales and Use Tax Agreement, which may allow Missouri to collect use tax from out-of-state sellers. If compliant, this may increase State Revenue by an estimated \$21.2 million, once fully implemented.

The Excise Tax Section will require two Revenue Processing Technicians (\$26,340) for return processing and correspondence. The Sales Tax Section does not envision an FTE impact for the Sales Tax area, but rule writing will create a significant impact for which we will need additional managerial assistance. Sales Tax requires one Management Analyst Specialist I (\$38,304).

The Integrated Tax System will incur additional costs of \$662,114 to implement the provisions of this legislation.

Oversight will show the FTE and computer upgrade costs in the fiscal note.

Officials at the **Department of Natural Resources (DNR)** assume the SSUTA focuses on improving sales and use tax administration systems for all sellers and for all types of commerce. The SSUTA applies primarily to the retail transactions by sellers who do not have a physical location in the state. According to a 2009 University of Tennessee study - State and Local Sales Tax Revenue Losses from Electronic Commerce, total state revenues that Missouri could gain from collecting sales tax on e-commerce in FY 2012 is estimated at \$210 million.

The Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Any increase in sales tax collected would increase revenue to the Parks and Soils Sales Tax Funds.

ASSUMPTION (continued)

The Department assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Officials at the **Department of Conservation** assume an unknown fiscal impact but greater than \$100,000. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. Any increase in sales and use tax collected would increase revenue to the Conservation Sales Tax funds. However, the initiative is very complex and may require adjustments to Missouri sales tax law which could cause some downside risk to the Conservation Sales Tax. The Department assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Oversight notes that B&P and DOR estimate the increased revenue to the state would be \$10.6 million in FY 2020 and \$21.2 million each fiscal year starting in FY 2021. Both estimate the local political subdivisions would receive \$9.1 million in FY 2020 and \$18.3 million each fiscal year starting in FY 2021. Oversight will show in the fiscal note the projections by B&P and DOR.

§32.200 Apportionment Method

Officials at the **B&P** assume that beginning with tax year 2019, this section would eliminate the 3-factor corporate income allocation method. Based on information provided by DOR, B&P estimates that this section would increase Total State Revenue and General Revenue by \$70.8 million in FY 2019 and \$141.6 million in FY 2020 and annually thereafter.

Officials at the **DOR** assume this repeals the three factor apportionment method from Article IV as well as removes the definition of compensation within Article IV. With the repeal of this apportionment method, the Department estimates an increase in state revenues by an estimated \$141,619,642 each fiscal year.

Oversight notes the effective date of the proposal is January 1, 2019 (FY 2019) and therefore will show the impact starting in the year in which the tax returns are filed which is FY 2020. Oversight will use the estimate provided by B&P and DOR.

§100.286 and §100.297 Missouri Development Finance Board (MDFB) Infrastructure Tax Credit

Officials at the **DOR** state in §100.286, that any taxpayer, including any charitable organization that is exempt from federal income tax and whose Missouri unrelated business taxable income, if any, would be subject to the state income tax imposed under Chapter 143, may, subject to the limitations provided under subsection 8 of this section, receive a tax credit against any tax

ASSUMPTION (continued)

otherwise due under the provisions of Chapter 143, excluding withholding tax imposed by sections 143.191 to 143.265 (instead of only 143.191 to 143.261), Chapter 147, or Chapter 148, in the amount of fifty percent of any amount contributed in money or property by the taxpayer to the development and reserve fund, the infrastructure development fund or the export finance fund during the taxpayer's tax year, provided, however, the total tax credits awarded in any calendar year beginning after January 1, 1994, shall not be greater than ten million dollars or five percent of the average growth in general revenue receipts in the preceding three fiscal years.

Section 100.297 assumes the board may authorize a tax credit, as described in this section, to the owner of any revenue bonds or notes issued by the board pursuant to the provisions of §100.250 to §100.297, for infrastructure facilities as defined in subdivision (9) of §100.255, if, prior to the issuance of such bonds or notes, the board determines that: the availability of such tax credit is a material inducement to the undertaking of the project in the State of Missouri and to the sale of the bonds or notes; the loan with respect to the project is adequately secure by a first deed of trust or mortgage or comparable lien, or other security satisfactory to the board. Upon making the determinations specified in subsection 1 of this section, the board may declare that each owner of an issue of revenue bonds or notes shall be entitled, in lieu of any other deduction with respect to such bonds or notes, to a tax credit against any tax otherwise due by such owner pursuant to the provisions of Chapter 143, excluding withholding tax imposed by §143.191 to §143.265 (instead of §143.191 to §143.261), chapter 147, or chapter 148, in the amount of one hundred percent of the unpaid principal of and unpaid interest on such bonds or notes held by such owner in the taxable year of such owner following the calendar year of the default of the loan by the borrower with respect to the project.

Officials at the **B&P** assume these sections would no longer allow the MDFB Infrastructure tax credit to be applied to retirement income withholding. Based on information provided by DOR, this tax credit has never been used against such income tax withholding. Therefore, B&P estimates that this provision will not impact Total State Revenue or the calculation under Article X, Section 18(e).

Officials at the **Missouri Development Finance Board** defers to the Department of Economic Development for fiscal impact.

§135.025 - §135.030 Senior Property Tax Credit (PTC)

Officials at the **B&P** assume these sections would no longer allow a PTC claim for renters. Based on information provided by DOR, in FY1 207 there were \$53.9 million in PTC claims by renters. B&P notes that the renter portion was repealed, rather than ended with a specific date. B&P further notes that this proposal would go into effect during tax year 2018. For the purposes

ASSUMPTION (continued)

of this fiscal note, B&P assumes that the PTC would no longer be available for renters starting with tax year 2018. Therefore, B&P estimates that this provision will increase Total State Revenue and General Revenue by \$53.9 million annually beginning in FY 2020.

Officials at the **DOR** assume the property taxes accrued (no longer including rent constituting property taxes accrued) on each return shall be totaled. This total, up to eleven hundred dollars in actual property tax paid, (no longer including seven hundred fifty dollars in rent constituting property taxes actually paid) shall be used in determining the property tax credit.

Section §135.030 removes the rent equivalent paid up to \$750 that was used to determine the property tax from a table of credits based upon the amount by which the total property tax described in Section 135.025 exceeds the percent of income. This is estimated to increase revenues by \$53.9 million annually.

Officials at the **University of Missouri's Economic and Policy Analysis Research Center** assume that according to the latest 2016 data, the renters' portion of the senior citizens property tax credit amounts to \$50.752 million in credits. By repealing the renters' portion of the senior citizens property tax credit we estimate an increase in Net General Revenue of \$50.752 million.

Oversight notes the effective date of the proposal is January 1, 2019 (FY 2019) and therefore will show the impact starting in the year in which the tax returns are filed which is FY 2020. Oversight will use the estimate provided by B&P and DOR of \$53.9 million.

§135.110 Business Facility Tax Credit

Officials at the **DOR** assume that notwithstanding any provision of law to the contrary, any taxpayer may sell, assign, exchange, convey or otherwise transfer tax credits allowed in subsection 9 of this section under the terms and conditions prescribed in subdivision (1) and (2) of this subsection. Such taxpayer, referred to as the assignor for the purpose of this subsection, may sell, assign, exchange or otherwise transfer earned tax credits: for no less than seventy-five percent of the par value of such credits; and in an amount not to exceed one hundred percent of such earned credits. The taxpayer acquiring the earned credits referred to as the assignee for the purpose of this subsection may use the acquired credits to offset up to one hundred percent of the tax liabilities otherwise imposed by Chapter 143, excluding withholding tax imposed by §143.191 to §143.265 (instead of §143.191 to §143.261). or chapter 148, or in the case of an insurance company exempt from the thirty percent employee requirement of §135.230, against any obligation imposed pursuant to §375.916.

ASSUMPTION (continued)

Officials at the **B&P** assume this section would no longer allow the Business Facility tax credit to be applied to retirement income withholding. Based on information provided by DOR, this tax credit has never been used against such income tax withholding. Therefore, B&P estimates that this provision will not impact Total State Revenue or the calculation under Article X, Section 18(e).

§135.305 Wood Energy Tax Credit

Officials at the DOR assume a Missouri wood energy producer shall be eligible for a tax credit on taxes otherwise due under Chapter 143, except §143.191 to §143.265 (instead of §143.191 to §143.261), as a production incentive to produce processed wood products in a qualified wood producing facility using Missouri forest product residue.

Officials at the **B&P** assume this section would no longer allow the Wood energy tax credit to be applied to retirement income withholding. Based on information provided by DOR, this tax credit has never been used against such income tax withholding. Therefore, B&P estimates that this provision will not impact Total State Revenue or General Revenue.

§135.313 Charcoal Producers Tax Credit

Officials at the **DOR** assume any person, firm or corporation who engages in the business of producing charcoal or charcoal products in the State of Missouri shall be eligible for a tax credit on income taxes otherwise due pursuant to Chapter 143, except §143.191 to §143.265 (instead of §143.191 to §143.261), as an incentive to implement safe and efficient environmental controls.

Officials at the **B&P** assume this section would no longer allow the Charcoal Producers tax credit to be applied to retirement income withholding. Based on information provided by DOR, this tax credit has never been used against such income tax withholding. Therefore, B&P estimates that this provision will not impact Total State Revenue or the calculation under Article X, Section 18(e).

§143.011, §143.021 and §143.171 Individual Income Tax Rate

Officials at the **B&P** assume that beginning with tax year 2019: §143.011 would create a top income tax rate of 5%, the section also repeals trigger dependent income tax cuts, and ends the inflation adjustment for the tax brackets. Section 143.021 would begin adjusting the tax brackets for inflation starting with the 2020 tax year. Section 143.171 would eliminate the caps on the federal income tax deduction, which are currently set at \$5,000 for single and head-of-household filers and \$10,000 for married filing-joint, starting with tax year 2019. This section would also phase out the amount of federal taxes an individual may claim based on their federal taxable income. The following table shows the phase-out of the federal income tax deduction.

ASSUMPTION (continued)

Federal Taxable Income		
Min	Max	FIT Deduction Allowed
\$0	\$25,000	100%
\$25,001	\$50,000	75%
\$50,001	\$75,000	50%
\$75,001	\$100,000	25%
\$100,001	\$150,000	10%
\$150,001		0%

Based on 2015 tax year data, the most current and complete year available, B&P estimates that the provisions will decrease Total State Revenue and General Revenue by \$322.2 million in FY 2019. Once fully implemented, these provisions will decrease Total State Revenue and General Revenue by \$504.7 million.

The following table shows the estimated impact by tax year.

Tax Year	General Revenue Impact
2019	(\$767.2)
2020	(\$677.0)
2021	(\$590.2)
2022	(\$504.7)

ASSUMPTION (continued)

The following table shows the estimated impact by fiscal year.

Fiscal Year	General Revenue Impact
2019	(\$322.2)
2020	(\$729.3)
2021	(\$640.6)
2022	(\$554.3)
2023	(\$504.7)

Officials at the **DOR** assume a tax is hereby imposed for every tax year on the Missouri taxable income of every resident. The tax shall be determined by applying the tax table provided in §143.021 which is based on the following rates:

If Missouri taxable income is:

Not over \$1,000

Over \$1,000 but not over \$2,000

Over \$2,000 but not over \$3,000

Over \$3,000 but not over \$4,000

Over \$4,000 but not over \$5,000

Over \$5,000 but not over \$6,000

Over \$6,000 but not over \$7,000

Over \$7,000

The tax is:

1 ½ % of the Missouri taxable income

\$15 plus 2% of excess over \$1,000

\$35 plus 2 ½ % of excess over \$2,000

\$60 plus 3% of excess over \$3,000

\$90 plus 3 ½% of excess over \$4,000

\$125 plus 4% of excess over \$5,000

\$165 plus 4 ½% of excess over \$6,000

\$210 plus 5% of excess over \$7,000

These brackets are not subject to reduction or adjustments due to inflation.

Every resident having a taxable income shall determine his or her tax from a tax table prescribed by the director of revenue and based upon the rates provided in Section 143.011. The director shall publish such tax table on or before the October first that immediately precedes the calendar year for which the tax table shall apply.

DOR estimates the impact to be a loss to Total State Revenue of \$322.2 million in FY 2019, \$729.3 million in FY 2020, \$640.6 million in FY 2021, \$554.3 million in FY 2022 and \$504.7 when fully implemented in FY 2023.

ASSUMPTION (continued)

EPARC Calculation

Officials at the **University of Missouri's Economic and Policy Analysis Research Center (EPARC)** assume they will restrict their analysis to those changes pertaining to the individual income tax. It would reduce the maximum individual income tax rate to 5% and eliminate the top two tax brackets. This bill would restrict the federal income tax deduction for certain incomes in the following manner:

If the federal taxable income is:	The deduction is:
Not over \$25,000 ...	100% of the federal tax liability for such taxable income
Over \$25,000 but not over \$50,000	75% of the federal tax liability for such taxable income
Over \$50,000 but not over \$75,000 ...	50% of the federal tax liability for such taxable income
Over \$75,000 but not over \$100,000	25% of the federal tax liability for such taxable income
Over \$100,000 but not over \$150,000	10% of the federal tax liability for such taxable income
Over \$150,000 ...	No deduction for the federal tax liability for such taxable income

The baseline below reflects the Missouri tax brackets and rates as they will be in 2018. The simulation below reflects the aforementioned changes.

Baseline

If the Missouri taxable income is:	The tax is:
Not over \$1,028 ...	1 ½ % of the Missouri taxable income
Over \$1,028 but not over \$2,056 ...	\$15 plus 2 % of excess over \$1,028
Over \$2,056 but not over \$3,084 ...	\$36 plus 2 ½ % of excess over \$2,056
Over \$3,084 but not over \$4,112 ...	\$62 plus 3 % of excess over \$3,084
Over \$4,112 but not over \$5,140 ...	\$93 plus 3 ½ % of excess over \$4,112
Over \$5,140 but not over \$6,168 ...	\$129 plus 4 % of excess over \$5,140
Over \$6,168 but not over \$7,196 ...	\$170 plus 4 ½ % of excess over \$6,168
Over \$7,196 but not over \$8,224 ...	\$216 plus 5 % of excess over \$7,196
Over \$8,224 but not over \$9,253 ...	\$267 plus 5 ½ % of excess over \$8,224
Over \$9,253 ...	\$324 plus 5.9 % of excess over \$9,253

ASSUMPTION (continued)

Simulation

If the Missouri taxable income is:	The tax is:
Not over \$1,042 ...	1 ½ % of the Missouri taxable income
Over \$1,042 but not over \$2,084 ...	\$16 plus 2 % of excess over \$1,042
Over \$2,084 but not over \$3,127 ...	\$36 plus 2 ½ % of excess over \$2,084
Over \$3,127 but not over \$4,169 ...	\$63 plus 3 % of excess over \$3,127
Over \$4,169 but not over \$5,211 ...	\$94 plus 3 ½ % of excess over \$4,169
Over \$5,211 but not over \$6,253 ...	\$130 plus 4 % of excess over \$5,211
Over \$6,253 but not over \$7,295 ...	\$172 plus 4 ½ % of excess over \$6,253
Over \$7,295 ...	\$219 plus 5 % of excess over \$7,295

The baseline for our analysis where Net Tax Due is \$5,454.004 million. The simulation results of the parameter changes in this bill for 2019 show Net Tax Due equals \$4,872.947 million. This is a decrease in Net Tax Due of \$581.057 million from the baseline. Therefore, this corresponds to a decrease in Net General Revenue of \$581.057 million due to this change in the Missouri tax brackets and rates.

Oversight will use the estimated fiscal year numbers provided by B&P and DOR.

§143.071 Corporate Tax Rate

Officials at the **DOR** assume for all tax years beginning before September 1, 1993, a tax is hereby imposed upon the Missouri taxable income of corporations in an amount equal to five percent of Missouri taxable income. For all tax years beginning on or after September 1, 1993, and ending before January 1, 2019, a tax is hereby imposed upon the Missouri taxable income of corporations in an amount equal to six and one-fourth percent of Missouri taxable income. For all tax years beginning on or after January 1, 2019, a tax is hereby imposed upon the Missouri taxable income of corporations in an amount equal to five percent of Missouri taxable income.

This section is estimated to lower state revenue by \$27.60 million in FY 2019 and \$55.2 million annually thereafter.

Officials at the **B&P** assume §143.071 would reduce the corporate tax rate from the current 6.25% to 5.0% beginning with tax year 2019. Based on FY 2017 net corporate collections of \$276.2 million, B&P estimates that this provision will reduce Total State Revenue and General Revenue by \$55.2 million annually, once fully implemented.

ASSUMPTION (continued)

Oversight will use the estimates provided by B&P and DOR.

§143.171 Individual and Corporate Federal Income Tax Liability Deduction

Officials at the **B&P** assume §143.171 would eliminate the cap for the corporate federal tax deduction, which is currently set at 50% of a corporation's tax liability. The section would also phase-out the deduction based a corporation's federal taxable income. The following table shows the phase-out of the federal tax deduction.

Federal Taxable Income		
Min	Max	FIT Deduction Allowed
\$0	\$25,000	100%
\$25,001	\$50,000	75%
\$50,001	\$75,000	50%
\$75,001	\$100,000	25%
\$100,001	\$150,000	10%
\$150,001		0%

Based on information from DOR, B&P estimates that this provision could increase Total State Revenue and General Revenue by \$107.7 million annually beginning FY 2020.

Officials at the **DOR** assume for all tax years beginning on or after January 1, 1994, an individual taxpayer shall be allowed a deduction for the taxpayer's federal income tax liability under Chapter 1 of the Internal Revenue Code for the same tax year for which the Missouri return is being filed, after reduction for all credits thereon, except the credit for payments of federal estimated tax, the credit for the overpayment of any federal tax, and the credits allowed by the Internal Revenue Code by Section 31 (tax withheld on wages), Section 27 (tax of foreign country and United States possessions), and Section 34 (tax on certain uses of gasoline, special fuels, and lubricating oils). For tax years beginning on or after September 1, 1993, but ending before January 1, 2019, the amount of the deduction shall not exceed five thousand dollars on a single taxpayer's return or ten thousand dollars on a combined return. For tax years beginning on or after January 1, 2019, the amount of the deduction shall be the sum of the following amounts:

ASSUMPTION (continued)

If the federal taxable income is:	The deduction is:
Not over \$25,000.00	100% of the federal tax liability for such taxable income
Over \$25,000 - \$50,000	75% of the federal tax liability for such taxable income
Over \$50,001 - \$75,000	50% of the federal tax liability for such taxable income
Over \$75,001 - \$100,000	25% of the federal tax liability for such taxable income
Over \$100,001 - \$150,000	10% of the federal tax liability for such taxable income
Over \$150,001	No deduction for the federal tax liability

A corporate taxpayer shall be allowed a deduction for its federal income tax liability under Chapter 1 of the Internal Revenue Code for the same tax year for which the Missouri return is being filed after reduction for all credits thereon, except the credit for payments of federal estimated tax, the credit for the overpayment of any federal tax, and the credits allowed by the Internal Revenue Code by Section 31 (tax withheld on wages), Section 27 (tax of foreign country and United States possessions), and Section 34 (tax on certain uses of gasoline, special fuels and lubricating oils). For tax years beginning on or after September 1, 1993, but ending before January 1, 2019, the amount of the deduction shall not exceed fifty percent of the corporation's tax liability. For tax years beginning on or after January 1, 2019, the amount of the deduction shall be the sum of the following amounts:

If federal taxable income is:	The deduction is:
Not over \$25,000	100 % of the federal tax liability
Over \$25,000 but not over \$50,000	75% of the federal tax liability
Over \$50,000 but not over \$75,000	50% of the federal tax liability
Over \$75,000 but not over \$100,000	25% of the federal tax liability
Over \$100,000 but not over \$150,000	10% of the federal tax liability
Over \$150,000	No deduction for federal tax liability

DOR estimates this would increase Total State Revenue by \$107.7 million.

ASSUMPTION (continued)

§143.261 Withholding Timely Filing Discount - Repealed

Officials at the **B&P** assume this would end the withholding timely filing discount beginning in tax year 2019. Based on data from DOR, in FY 2017 there were \$31 million in withholding timely filing discounts. Therefore, B&P estimates that this section would increase Total State Revenue and General Revenue by \$15.5 million in FY 2019 and by \$31 million in FY 2020 and annually thereafter.

In response to similar legislation filed this year, SB 617, officials at the **DOR** assume this proposed section repeals the timely filing discount for withholding. This may have an estimated \$31 million increase to General Revenue.

Oversight notes the effective date of the proposal is January 1, 2019 (FY 2019) and therefore will show only six months of impact in FY 2019. Oversight will use the estimates provided by B&P and DOR.

§144.049 School Supply Sales Tax Holiday

Officials at the **B&P** assume this removes the specific exemption for graphing calculators with a taxable value of \$150 or less from the back-to-school sales tax holiday. B&P notes that graphing calculators are included in the definition of school supplies under §144.010. B&P further notes that there is a per purchase limit on school supplies of \$50. Therefore, B&P estimates that this provision may have a minimal positive impact on Total State Revenue.

B&P also notes that this section no longer allows local municipalities to opt out of the school tax holiday. This will reduce revenues in all localities that currently opt out of the sales tax holiday. In tax year 2016, the most recent year data was available, local sales tax collections for qualifying items during the holiday totaled \$0.4 million. Therefore, B&P estimates that this provision could reduce local funds by \$0.4 million beginning in FY 2020.

Oversight notes this proposal would not be effective until January 1, 2019, which is after the school sales tax holiday occurs in FY 2019. Oversight will not show a fiscal impact in FY 2019. Oversight will show the fiscal impact to local political subdivisions as the estimate provided by B&P.

ASSUMPTION (continued)

§144.054 Manufacturing Sales Tax Exemption

Officials at the **B&P** assume this section would expand the manufacturing sales tax exemption to include local sales tax. Based on previous estimates, the state sales tax loss due to this exemption is \$70.0 million. B&P estimates that state sales taxes account for 36% of total tax collected, while local taxes account for 64%. Therefore, B&P estimates that the total cost of the manufacturing sales tax exemption to state and local sales taxes would be \$194.4 million. Based on these calculations, B&P estimates that this section could reduce local sales taxes by \$124.4 million annually.

Oversight notes the effective date of the proposal is January 1, 2019 (FY 2019) and therefore will show only six months of impact in FY 2019.

§144.070 Timely Filing Discount for Motor Vehicle Dealers

Officials at the **B&P** assume this section would end the sales tax timely filing discount granted to motor vehicle dealers. B&P notes that dealers no longer remit sales taxes on motor vehicles directly to DOR. Rather consumers remit the sales tax due at the time the motor vehicle is licensed. Therefore, B&P estimates that this provision will not impact Total State Revenue or any other state funds as this discount is no longer utilized by motor vehicle dealers.

§144.140 and §144.710 Sales and Use Timely Filing Discounts - Repealed

Officials at the **B&P** assume that beginning January 1, 2019, the repeal of these sections would end the 2% sales and use tax timely filing discount. Based on information from DOR, there were \$129.0 million in sales and use tax timely filing discounts in FY 2017. Since the timely filing discount is given before any disbursements are made to sales and use tax funds, B&P estimates that the state portion of the \$129.0 million is approximately 36%, with the remaining funds going to local municipalities. Therefore, B&P estimates that this section will increase Total State Revenue by \$23.2 million and General Revenue by \$16.5 million in FY 2019. Beginning in FY 2020 and annually thereafter, this section will increase Total State Revenue by \$46.5 million and General Revenue by \$33.0 million. This section will also increase local funds by \$82.6 million once fully implemented.

Oversight notes the effective date of the proposal is January 1, 2019 (FY 2019) and therefore will show only six months of impact in FY 2019.

ASSUMPTION (continued)

§144.517 Sales Tax Exemption on Textbooks - Repealed

Officials at the **B&P** assume this section would end the state sales tax exemption on textbooks. Based on information from DOR, in FY 2017 the state sales tax exemption was worth approximately \$3.8 million. Therefore, B&P estimates that repealing this section will increase Total State Revenue by \$3.8 million and General Revenue by \$2.7 million annually.

Oversight notes the effective date of the proposal is January 1, 2019 (FY 2019) and therefore will show only six months of impact in FY 2019.

§144.526 Show-Me Green Holiday Sales Tax Holiday

Officials at the **B&P** assume this no longer allows local municipalities to opt out of the Show Me Green sales tax holiday. This will reduce revenues in all localities that currently opt out of this sales tax holiday.

In tax year 2017, the most recent year data was available, local sales tax collections for qualifying items during the holiday totaled \$0.4 million. Therefore, B&P estimates that this provision could reduce local funds by \$0.4 million beginning in FY 2019.

Oversight notes the effective date of the proposal is January 1, 2019 (FY 2019) and the Show Me Green Sales Tax Holiday is in April; therefore the fiscal note will show the full impact in FY 2019. Oversight will use the estimated provided by B&P.

§208.431 - §208.437 Managed Care Organizations

Officials at the **B&P** assume this section would make changes to the managed care reimbursement allowance. B&P defers to DSS for any details and impacts from these sections.

Officials at the **DOR** assume a managed care organization - a health maintenance organization defined under Section 354.400, including health maintenance organizations operating pursuant to a contract under 42 U.S. C. Section 1396b(m) to provided MO HealthNet managed care program eligibility groups. Beginning July 1, 2018 each managed care organization in this state shall, in addition to all other fees and taxes now required or paid, pay a managed care organization reimbursement allowance for the privilege of engaging in the business of providing health benefit services in this state. The managed care organization reimbursement allowance may be imposed on the basis of revenue or enrollment and shall impose differential rates on Medicaid and commercial business. The managed care organization reimbursement allowance shall not apply to an organization that is exempt from assessment under 42 C.F.R. Section 422.404 or 5 U.S.C. Section 8909(f)(1).

ASSUMPTION (continued)

Officials at the **Department of Social Services (DSS)** assume the proposed legislation grants the DSS the authority to continue the Managed Care Organization Reimbursement Allowance, the Hospital Federal Reimbursement Allowance, the Ambulance Reimbursement Allowance Tax, the Nursing Facility Reimbursement Allowance, the Pharmacy Tax and the Intermediate Care Facility for the Intellectually Disabled tax programs.

The MO HealthNet Division (MHD) is not currently collecting the Medicaid Managed Care Organization Reimbursement Allowance under §208.431, however if the proposed legislation passes it would be applied to Managed Care Organizations (MCOs). As defined in this section, MCOs mean a Health Maintenance Organizations (HMOs) defined in §354.400, including health maintenance organizations operating pursuant to a contract under 42 U.S.C. Section 1396b(m) to provide benefits to MO HealthNet managed care program eligibility groups.

Federal regulations require that a tax be broad-based, be uniform, and not include a hold harmless clause. The proposed assessment would not be considered a uniform tax as it would have different rates for Medicaid member months and commercial member months. Additionally it would exempt Medicare member months as well as member months associated with the Federal Employee Health Benefits Program which is also exempt under federal law. As this tax is not uniform, DSS would apply for a waiver from CMS.

Overall the assessment would be expected to be \$52.0 million of which the Medicaid Managed Care Organizations tax collection would be \$48.1 million and the commercial tax collection would be \$3.9 million. DSS would need \$16.7 million of the collection to use as state share in adjusting the Medicaid capitation payments to reimburse the cost assessment. MHD will require an additional 2 FTE to implement and maintain this new assessment. Therefore the remaining assessment available would be approximately \$35.2 million.

The assessment is estimated based on member months from commercial HMOs from calendar year 2016 and Medicaid HMOs from February 2018 to be inclusive of statewide managed care. The Department assumes the remaining tax would be used to offset General Revenue.

MHD will need to conduct an actuarial study for \$50,000 paid for by General Revenue.

Oversight notes that the Department of Social Services is the designated state agency that works with the federal government on Medicaid programs. Therefore, Oversight will use DSS provider tax numbers for this tax program.

ASSUMPTION (continued)

§208.1050 MO Senior Services Protection Fund (SSPF)

Officials at the **B&P** assume this section states that DOR shall calculate the amount of federal tax deductions (for corporations) claimed during FY 2018. Such calculated amounts, not to exceed \$40 million, shall be deposited into the Missouri Senior Services Protection Fund annually. For the purpose of this fiscal note, B&P assumes that up to \$40 million from the savings under the corporate federal tax deduction in §143.171 would be diverted to the SSPF fund, rather than deposited into General Revenue. Therefore, B&P estimates that this proposal will reduce General Revenue by \$40 million beginning in FY 2020.

Officials at the **DOR** assume the director of revenue shall calculate the amount of deductions claimed under subsection 2 of Section 143.171 during fiscal year 2018. Such calculated amount, not to exceed forty million dollars, shall be allocated annually to the Missouri Senior Services protection fund and shall be transferred, subject to appropriations, from the General Revenue Fund to the Missouri Senior Services Fund.

Officials at the **Department of Health and Senior Services (DHSS)** defers to the Department of Revenue for the calculation of the increase in state revenue as a result of the change in individual income tax deductions allowed under 143.171 in which the funds will then be transferred into the Missouri Senior Services Protection Fund. The use of these funds would then be subject to appropriation. If additional funding is appropriated in the DHSS budget, DHSS is assuming that those funds will be expended from the Missouri Senior Services Protection fund in the same manner funds are currently expended from this fund.

Officials at the **Department of Social Services** is deferring to OA for an estimate of funds transferred in to the Missouri Senior Services Protection fund.

Oversight notes that corporate taxpayers in §143.171 are allowed to deduct 50% of their federal income tax liability. DOR is to calculate the amount of corporate deductions and transfer an amount not to exceed \$40 million to the Missouri Senior Service Protection Fund annually. Oversight notes that this transfer to the Fund is required annually, however, in this proposal the corporate deduction changes how it is calculated starting January 1, 2019. Oversight will show the transfer from General Revenue to the Missouri Senior Service Protection Fund as \$40 million annually.

Oversight notes that §208.1050, requires a transfer to the Missouri Senior Services Protection Fund. Oversight verified with the Office of the State Treasurer that the Missouri Senior Services Protection Fund closed in March 15, 2014. However, since this fund still exists in statutes it can be reopened to accept funds.

ASSUMPTION (continued)

§620.3210 Capitol Complex Tax Credit

Officials at the **B&P** assume §620.3210, would create a tax credit for individuals or entities that make eligible monetary or artifact donations to the Capitol Complex Fund, beginning January 1, 2018. Taxpayers may claim a tax credit for an amount up to 50% of their eligible monetary donation or for an amount up to 30% of their eligible artifact donation. The credit for monetary donations is refundable and has a four-year, carry-forward provision. The credit for eligible artifact donations is not refundable and has a four-year, carry-forward provision. Issuances of these tax credits are capped at \$10 million annually. These tax credits may offset Tax Year 2018 liabilities; therefore, reducing General and Total State Revenues by up to \$10 million annually beginning in FY 2019.

Officials at the **Department of Economic Development** assume this would create a new tax credit for them to administer. They will need to hire one Economic Development Incentive Specialist III (\$53,136) to administer.

Oversight notes that the tax credit does not place a limit on the amount one taxpayer can receive. Therefore, due to the limited number of credits that may be issued, DED can absorb the administration of this credit with existing resources. Should the number of credits issued, reach the level to justify additional FTE, DED can request the FTE through the appropriation process.

Oversight notes the Department of Economic Development shall not authorize more than \$10 million in tax credits under §620.3210 in any calendar year. This tax credit begins with tax year January 1, 2019, so the first year a person would claim the credit is FY 2020. Therefore, Oversight will show a fiscal impact of Up to the maximum cap of \$10 million beginning in FY 2020.

Oversight notes §620.3210.4 of this proposal allows for a qualified donor to claim a credit in the amount of 50% of the eligible monetary donation (\$10 million maximum tax credit cap / 50% = \$20,000,000). §620.3210.5 of this proposal allows for a qualified donor to claim a credit in the amount of 30% of the eligible artifact donation (\$10 million maximum tax credit cap / 30% = \$33,333,333). Oversight will show donations to the Capitol Complex Fund Up to \$20,000,000 (cash portion).

Taxation Sections as a Whole

Officials at the **Office of Administration's Division of Accounting, Department of Mental Health**, and the **Joint Committee on Administrative Rules** each assume there was no fiscal impact from this proposal to their organization.

ASSUMPTION (continued)

Officials at the **Summersville R-II School District** assume an unknown impact.

Officials at **St. Louis County** assume the impact in unknown.

Officials at **Callaway County** assume a positive impact.

Officials at the **Wellsville-Middletown R-I School District** assume the income tax rate deductions in this bill will have an overall serious negative fiscal impact on the district.

Officials at the **Kirksville R-III School District** assume this would have an unknown negative impact.

In response to similar legislation filed this year, officials from the **Office of the Secretary of State (SOS)** stated 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.

MOTOR VEHICLE/DRIVER LICENSE FEES

B&P Calculations

Officials at the **B&P** assume this proposal would increase multiple motor vehicle, boat, and outboard motor registration and license fees. The proposal also contains provisions to adjust the impacted fees by inflation beginning in tax year 2020. Based on information provided by DOR, the impacted sections will increase Total State Revenue by \$82.5 million in FY 2019 and \$171.1 million in FY 2021. B&P defers to DOR for more information on the impact from these provisions.

DOR Calculations of Motor Vehicle Fees

§301.015 Registration and Licensing Motor Vehicles Fees

DOR assumes that beginning in the calendar year 2020 and then every third year thereafter, the director of revenue shall increase the fees authorized under this chapter annually for inflation, if any. Fees adjusted under this section shall take effect on January first. The adjustment shall be calculated by using the average percentage change in the CPI for All Urban Consumers, as reported by the United States Bureau of Labor Statistics, of the three-year period ending on August thirty first for such period that immediately precedes the date the fees take effect.

§302.012 Driver's and Commercial Driver's Fees

DOR assumes the proposed language requires DOR to increase fees under Chapter 302 for inflation beginning in the calendar year 2020 and then every third year after. The adjustment shall be calculated by using the Consumer Price Index for all Urban Consumers for the United States as reported by the Bureau of Labor Statistics, of the three-year period ending on August thirty-first for such period that immediately precedes the date the fees take effect. The director shall publish the adjusted fee amounts by October first of the year that immediately precedes the date the fees take effect.

§302.140

DOR assumes the proposed language changes the fee for an instruction permit from \$1.00 to \$2.50, and changes the motorcycle safety education fee from \$2.75 to \$6.50.

§302.177

DOR assumes the proposed language changes the fees for a class E (license or renewal to transport persons or property classified in section 302.015) license from:

- \$30.00 to \$37.00 for a 6-year license;
- \$15.00 to \$18.50 for a 3-year license, and;
- \$5.00 to \$6.00 for a 1-year E license with an S endorsement.

ASSUMPTION (continued)

It would also change the fees for a class F (base operator license or class M (motorcycle only) from:

\$15.00 to \$18.50 for a 6-year license, and;
\$7.00 to \$9.50 for a 3-year license.

§302.178

DOR assumes the proposed language changes the fees for an intermediate license from \$5.00 to \$12.00.

§302.181

DOR assumes the proposed language changes the fees for non-driver licenses from \$6.00 to \$14.00 for a 6-year license, and from \$3.00 to \$7.00 for a 3-year license.

§302.185

DOR assumes the proposed language changes the fees for a duplicate license from \$15.00 to \$35.50 for a class E license, and from \$7.50 to \$17.50 for a class F license or class M license.

§302.286

DOR assumes the proposed language changes the reinstatement fee for a motor fuel theft suspension from \$25 to \$59.

§302.304

DOR assumes the proposed language changes the reinstatement fee for suspensions or revocations from \$20 to \$47.

§302.420

DOR assumes the proposed language changes the reinstatement fee for Abuse and Lose suspensions and revocations, and Minor in Possession suspensions and revocations from \$20 to \$47.

§302.541

DOR assumes the proposed language changes the additional fee for anyone suspended or revoked pursuant to §302.505, §301.410, §302.574, or §577.010 from \$25 to \$59.

ASSUMPTION (continued)

§302.720

DOR assumes the proposed language changes the fees for:

- Commercial learner's permits from \$5.00 to \$12.00;
- Commercial written and driving tests from \$25.00 to \$59.00, and;
- Third-party tester fees would change from \$100.00 to \$236.00.

§302.735

DOR assumes the proposed language would increase the fees for commercial driver licenses from \$40.00 to \$94.50 for a 6-year license, and from \$20 to \$47 for a 3-year license. The fees for duplicate commercial driver licenses would also increase from \$20 to \$47.

§306.012

DOR assumes this provides that beginning in the calendar year 2020 and then every third year thereafter, the director of revenue shall increase the fees authorized under this Chapter annually for inflation, if any. Fees adjusted under this section shall take effect on January 1.

The adjustment shall be calculated by using the average percentage change in the Consumer Price Index for All Urban Consumers, as reported by the United States Bureau of Labor Statistics, of the three-year period ending on August thirty-first for such period that immediately precedes the date the fees take effect.

All changes in sections pertaining to specialty license plates are changes to reflect the change in the personalized license plate fee in §301.144.

Motor Vehicle Bureau - Chapter 301 & 306 Motor Vehicle/ Marine Fees and Penalties

The Bureau assumes it will have to do the following:

- Update procedures, forms, manuals, correspondence letters, motor vehicle and marine charts, and Department Website;
- Modify associated rejection verbiage;
- Complete programming and user acceptance testing for identified systems; and
- Amend and file administrative rules.

FY 2019 - Motor Vehicle Bureau

Management Analysis Spec I	1360 hrs @ \$18.42 per hr.	= \$25,051
Administrative Analyst III	20 hrs. @ \$19.43 hr.	= \$ 389
Administrative Office Support Asst.	30 hrs. @ \$13.78	= \$ 413
Revenue Manager Band I	160 hrs.@ \$25.05 per hr.	= \$ 4,008
Total		= \$29,861

ASSUMPTION (continued)

FY 2020 - Motor Vehicle Bureau

Management Analysis Spec I	1360 hrs @ \$18.42 per hr.	= \$25,051
Administrative Analyst III	20 hrs. @ \$19.43 hr.	= \$ 389
Administrative Office Support Asst.	30 hrs. @ \$13.78	= \$ 413
Revenue Manager Band I	160 hrs.@ \$25.05 per hr.	= \$ 4,008
Total		= \$29,861

The Bureau assumes this proposal requires all fees and penalties within Chapter 301 and 306 to increase effective January 1, 2019. On January 1, 2020, the fees are to increase again based off the Consumer Price Index for All Urban Consumers. Based on the Consumer Price Index for all Urban Consumers for the United States report by the Bureau of Labor Statistics the average CPI is 2.1% that is calculated into the increase for the last half of FY 2020 and all of 2021. The increase is based off the increased difference between each individual fee and penalty and the statistics for that fee or penalty in FY 2017.

Increased Motor Vehicle/Marine Fees and Penalties:

	FY 19	FY 20	FY 21
Highway Fund (75%)	\$75,291,421.50	\$153,282,721.50	\$155,982,600
Cities (15%)	\$15,058,284.30	\$30,656,544.30	\$31,196,520
Counties (10%)	\$10,038,856.20	\$20,437,696.20	\$20,797,680
General Revenue	\$1,842,715	\$3,752,328	\$3,819,261

Oversight will show the administrative costs of the Motor Vehicle Bureau and the projections for increased revenue in the fiscal note.

Drivers License Bureau - Chapter 302 Drivers License Fees

The Bureau assumes to implement these provisions, the Department will be required to do the following each time a fee is created or altered:

- Work with Fiscal Services to modify the Missouri Transportation Accounting System (MTAS) to amend fees for driver licenses;
- Update the MTAS accounting code tables used by the Missouri Electronic Driver License system (MEDL);
- Update the fee tables used by the Missouri Driver License System (MODL);
- Work with OA/ITSD to test the Missouri Electronic Driver License system (MEDL) and supporting applications to ensure new fees are applied correctly and are correctly posted to systems and reports;

ASSUMPTION (continued)

- Work with OA/ITSD to test the Missouri Driver License System (MODL) and supporting applications to ensure new fees process and post to processing screens, letters, systems and reports;
- Modify the Uniform License Issuance Manual;
- Update the Department's website information;
- Update policies and procedures;
- Modify the on-line and printed versions of the Missouri Driver Guide and Commercial Driver License Manual to include new fees;
- Modify forms and procedures referencing driver license fees and reinstatement fees;
- Re-distribute forms 2385 and 4323 to all Missouri law enforcement agencies. This will add additional costs for printing and postage;
- Modify MODL and CTG notices referencing license reinstatement fees;
- Train internal staff and license office staff;
- Communicate new fees to the public prior to implementation.

FY19 Personnel Services Bureau

Administrative Analyst III	200 hrs x \$19.43 = \$3,886
Management Analysis Spec I	200 hrs x \$18.42 = <u>\$3,684</u>
	Total = \$7,570

FY19 Driver License Bureau

Administrative Analyst II	520 hrs x \$17.13 per hr = \$8,908
Management Analyst Spec. II	560 hrs x \$20.57 per hr = \$11,519
Revenue Band Manager Band I	120 hrs x \$25.05 per hr = <u>\$3,006</u>
	Total = \$23,433

FY19 Expenses

Cost for forms - 160,000 - 2 part carbonless copy (approx. \$.075 each)	\$12,000
Cost for forms - 160,000 - Law Enforcement form (approx. \$.075each)	\$12,000
Cost for envelopes - 656 @ \$0.12 =	\$79
Cost for postage - 656 @ \$5.48 =	<u>\$3,595</u>
	Total = \$27,674

The Bureau assumes the proposed language requires the Department to increase fees under Chapter 302 for inflation beginning in the calendar year 2020 and then every third year after. The adjustment shall be calculated by using the Consumer Price Index for all Urban Consumers for the United States as reported by the Bureau of Labor Statistics, of the three-year period ending on August thirty-first for such period that immediately precedes the date the fees take effect.

ASSUMPTION (continued)

Drivers License Fees

	FY 2019	FY 2020	FY 2021
Highway Fund (75%)	\$3,566,829	\$7,334,990	\$7,536,321
Cities (15%)	\$713,366	\$1,466,998	\$1,507,264
Counties (10%)	\$475,577	\$977,998	\$1,004,843
Motorcycle Safety Fund	\$101	\$206	\$210
General Revenue	\$1,791,125	\$3,647,956	\$3,713,662

Oversight will show the administrative costs of the Drivers License Bureau and the projections for increased revenue in the fiscal note.

ITSD - DOR assume they will need to update the TRIPS, GRS, MEDL, MODL and MTAS computer systems. They estimate this would cost \$64,881 (\$75 per hour x 865.08 hours) in FY 2019 and additional costs in FY 2020.

MHP Calculations of Motor Vehicle Fees

§301.190 and §301.192

Officials at the **Missouri Highway Patrol (MHP)** assume this proposal increases the fee for the vehicle examination (Form 551) required to be completed by the MHP on vehicles for which there is a current title issued by another state if a Missouri salvage certificate of title has been issued for the same vehicle but no prior inspection and verification has been made in this state (exceptions noted in statute), from \$25.00 per vehicle examination certificate to \$59.00 per vehicle examination certificate.

This proposal increases the fee for the vehicle examination (Form 551) required to be completed by the MHP or other law enforcement agency as authorized by the director of revenue. The DOR Form 551 - accompanies application for original Missouri certificate of ownership for a vehicle which is classified as a reconstructed motor vehicle, specially constructed motor vehicle, kit vehicle, motor change vehicle, non-USA-std motor vehicle, or other vehicle as required by the director of revenue) from \$25.00 per vehicle examination certificate to \$59.00 per vehicle examination certificate.

ASSUMPTION (continued)

The fees collected by DOR for 551 forms used by MHP personnel in the documentation of VIN examinations are deposited in the Highway Inspection Fund.

	Inspections Completed by MHP	Current Fee	Current Annual Revenue	Proposed Fee	Projected Annual Revenue	Net Increase Annual Revenue
§301.190	21,475	\$25.00	\$536,875	\$59.00	\$1,267,025	\$730,150
§301.192	8,913	\$25.00	\$222,825	\$59.00	\$525,867	\$303,042
Total	30,388	\$25.00	\$759,700	\$59.00	\$1,792,892	\$1,033,192

Officials at the **MHP** assume this proposal increases the fee for Vehicle Identification/Odometer Verification, (ID/OD) inspections, performed by vehicle safety inspection stations when application is made for an original Missouri certificate of ownership for a motor vehicle previously registered or titled in a state other than Missouri or as required by section 301.020, from \$12.00 per ID/OD to \$28.50 @ ID/OD for motor vehicles and \$10.00 per ID/OD to \$28.50 @ ID/OD for motorcycles.

The fees collected by stations performing ID/OD verification inspections.

ID/OD Verification Inspections Performed (FY 2017)	Current Fee	Current Annual Revenue	Proposed Fee	Projected Annual Revenue	Net Increase Annual Revenue
862,172	\$12	\$10,346,064	\$28.50	\$24,571,902	\$14,225,838

Oversight notes these fees are retained by the local inspection stations as reimbursement of their expenses.

ASSUMPTION (continued)

§301.191

Officials at the **MHP** assume the fee collected by DOR for the MHP inspection of a homemade trailer measuring 16 feet or greater in length increase from \$10 per inspection to \$23.50 per inspection. (Funds deposited in the Highway Inspection Fund)

	Inspections Completed by MHP	Current Fee	Current Annual Revenue	Proposed Fee	Projected Annual Revenue	Net Increase Annual Revenue
§301.191	1,555	\$10.00	\$15,500	\$23.50	\$36,542.50	\$20,992.50

§307.360 Inspection Station License Fee

Officials at the **MHP** assume increases the yearly fee to become a licensed the inspection station fee increases from \$10 annually to \$24 annually. (Funds deposited in the Highway Inspection Fund)

	Number Annually	Current Fee	Current Annual Revenue	Proposed Fee	Projected Annual Revenue	Net Increase Annual Revenue
Safety Inspection License Fee	4,133	\$10	\$41,330	\$24	\$99,192	\$57,862

ASSUMPTION (continued)

§307.365 Maximum Allowed Fee for Safety Inspections

Officials at the **MHP** assume the maximum allowed fee for the safety inspection of motor vehicles increases from \$12 per inspection to \$28.50 per inspection.

Average Safety Inspections Performed (CY 13- CY 17)	Current Fee	Current Annual Revenue	Proposed Fee	Projected Annual Revenue	Net Increase Annual Revenue
2,461,835	\$12	\$29,542,020	\$28.50	\$70,162,298	\$40,620,278

Oversight notes these fees are retained by the local inspection stations as reimbursement of their expenses.

Officials at the **MHP** assume the maximum allowed fee for the safety inspection of motorcycles and/or homemade trailers increases from \$10 per inspection to \$24 per inspection.

Average Motorcycle Inspections Performed (CY 13- CY 17)	Current Fee	Current Annual Revenue	Proposed Fee	Projected Annual Revenue	Net Increase Annual Revenue
74,325	\$10	\$2743,250	\$24	\$1,783,800	\$1,040,550

Oversight notes these fees are retained by the local inspection stations as reimbursement of their expenses.

Average Trailer Inspections Performed (CY 13- CY 17)	Current Fee	Current Annual Revenue	Proposed Fee	Projected Annual Revenue	Net Increase Annual Revenue
10,468	\$10	\$104,680	\$24	\$251,232	\$146,552

Oversight notes these fees are retained by the local inspection stations as reimbursement of their expenses.

ASSUMPTION (continued)

Officials at the **MHP** assume the fees charged by MHP for the safety inspection stickers and motorcycle inspection decals increases from \$1.50 per sticker/decals to \$3.50 per sticker/decals. (Funds are to be deposited into State Highway Fund and Highway Inspection Fund)

	Performed Annually	Current Fee	Current Annual Revenue	Proposed Fee	Projected Annual Revenue	Net Increase Annual Revenue
Motor Vehicle Safety Inspection Stickers	2,461,835	\$1.50	\$3,692,753	\$3.50	\$8,616,423	\$4,923,670
Motorcycle Inspection Decals	74,325	\$1.50	\$111,488	\$3.50	\$260,138	\$148,650

MHP notes in §307.365, the new fee amount is \$3.50 per sticker/decals for the safety inspection stickers and motorcycle inspection decal. This proposal changes the amounts of where the \$3.50 fee is deposited. Per this proposal the \$3.50 is to be divided into the following funds:

State Highway Fund (0644):	\$2.50
Highway Patrol Inspection Fund (0297):	<u>\$1.25</u>
	\$3.75

MHP estimates all these changes will result in \$6,184,367 increased revenue being deposited into the Highway Patrol Inspection Fund (0297).

Oversight notes this proposal leaves confusion as to how exactly the fund split will be divided between the State Highway Fund and the Highway Patrol Inspection Fund for the stickers/decals. Oversight will show the impact as estimated by MHP for the Highway Patrol Inspection Fund.

Oversight notes this proposal states “beginning in the calendar year 2020 and then every third year thereafter, the director of revenue shall increase the fees authorized under this chapter annually for inflation, if any.” Oversight for fiscal note purposes has used the 2.1% inflation rate annually for all the MV/DL calculations in this fiscal note.

ASSUMPTION (continued)

Motor Vehicle/Driver License Fees as a Whole

Officials at the **Missouri Department of Transportation** defer to the Department of Revenue for fiscal impact.

Officials at the **Missouri Gaming Commission** assume there is no fiscal impact from this proposal.

SUMMARIES

DOR Summary

Table 1- **DOR** Total State Revenue Impact - figures in Millions

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
§32.070 -Streamlined Sales & Use Tax Agreement	\$0.0	\$10.6	\$21.20	\$21.20	\$21.20
§32.200 -Multistate Tax Compact-3 Factor Elimination	\$70.8	\$141.60	\$141.60	\$141.60	\$141.60
§135.025 - §135.030 -Senior Property tax credit-Renters no longer qualify	\$0.0	\$53.90	\$53.90	\$53.90	\$53.90
§143.011 -Individual Income Tax Rate changes & §143.021 -Tax Rate changes due to inflation & §143.171 -Individual Federal Income Tax Deduction based on Federal Tax Income	(\$322.20)	(\$729.30)	(\$640.60)	(\$554.30)	(\$504.70)
§143.071 - Corporate Tax Rate Changes-5%	(\$27.60)	(\$55.20)	(\$55.20)	(\$55.20)	(\$55.20)
§143.171 - Corporate Federal Tax Deduction based on Federal Income Tax	\$0.0	\$107.70	\$107.70	\$107.70	\$107.70

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
§144.517 - Textbook Exemption Repeal	\$1.9	\$3.8	\$3.8	\$3.8	\$3.8
§208.431- §208.437- Managed Care Organizations	N/A	N/A	N/A	N/A	N/A
§208.1050- Missouri Senior Services Protection Fund, new funding source	(\$40.00)	(\$40.00)	(\$40.00)	(\$40.00)	(\$40.00)
§301.025 - §301.449- Registration and Licenses fees of Motor Vehicles - increases the fees & §301.457- §301.4000- License Plate Fees- increase the fee & §306.012-DOR raise fees on watercraft & §306.015 - §307.365- Boat fee increases	\$77.1	\$157.0	\$159.8		
§302.012- DOR can increase driver and CDL fees based on inflation & §302.140- §302.735 Driver & CDL fee increases	\$5.4	\$10.98	\$11.3		
§620.3210- Capitol Complex tax credit	(\$10.00)	(\$10.00)	(\$10.00)	(\$10.00)	(\$10.00)
§143.261- Repeal of Withholding timely filing discount	\$15.50	\$31.00	\$31.00	\$31.00	\$31.00
§144.140 and §144.710- Repeal of Sales/Use tax timely filing discount	\$20.60	\$41.30	\$41.30	\$41.30	\$41.30
Total State Revenue	(\$208.50)	(\$276.62)	(\$174.20)	(\$259.00)	(\$209.40)

ASSUMPTION (continued)

B&P Summary

In total, **B&P** estimates this proposal will decrease Total State Revenue by less than \$165.9 million in FY 2019. Once fully implemented this proposal will increase Total State Revenue by more than \$6.9 million annually.

The following tables show the revenue impacts per proposal provision and the impacts to each state fund.

Table 1: **B&P** Revenue Impact by Provision - figures in Millions

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Streamlined §32.070	\$0.0	\$10.6	\$21.2	\$21.2	\$21.2
Eliminate 3 Factor Corporate Allocation §32.200	\$70.8	\$141.6	\$141.6	\$141.6	\$141.6
Rental PTC - Elimination §135.025	\$0.0	\$53.9	\$53.9	\$53.9	\$53.9
Individual Income Tax §143.011	(\$322.2)	(\$729.3)	(\$640.6)	(\$554.3)	(\$504.7)
Corporate Rate Reduction §143.071	(\$27.6)	(\$55.2)	(\$55.2)	(\$55.2)	(\$55.2)
Corporate Federal Tax Deduction §143.171	\$0	\$107.7	\$107.7	\$107.7	\$107.7
Withholding Timely Filing Discount Eliminated §143.261	\$15.5	\$31.0	\$31.0	\$31.0	\$31.0
MV Sales & Use Tax Timely Filing Discount Eliminated §144.070	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Sales & Use Tax Timely Filing Discount Eliminated §144.140	\$23.2	\$46.5	\$46.5	\$46.5	\$46.5
Textbook Exemption Repealed §144.517	\$1.9	\$3.8	\$3.8	\$3.8	\$3.8
Managed Care Reimbursement §208.431	N/A	N/A	N/A	N/A	N/A
MVDL Fees Chap 301	\$82.5	\$168.0	\$171.1	\$171.1	\$171.1
Capitol Complex Tax Credit §620.3210	(\$10.0)	(\$10.0)	(\$10.0)	(\$10.0)	(\$10.0)
Total Estimated Impact to the State Revenues	(\$165.9)	(\$231.4)	(\$129.0)	(\$42.7)	\$6.9

ASSUMPTION (continued)

Table 2: **B&P** Local Impacts - figures in Millions

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Streamlined §32.070	\$0.0	\$9.1	\$18.3	\$18.3	\$18.3
Back-to-School Sales Tax Holiday §144.049	\$0.0	(\$0.4)	(\$0.4)	(\$0.4)	(\$0.4)
Manufacturing Sales Tax Exemption §144.054	(\$62.2)*	(\$124.4)	(\$124.4)	(\$124.4)	(\$124.4)
MV Sales & Use Tax Timely Filing Discount Eliminated §144.070	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Sales & Use Tax Timely Filing Discount Eliminated §144.140	\$41.3	\$82.6	\$82.6	\$82.6	\$82.6
Show-Me Green Sales Tax Holiday §144.526	(\$0.4)	(\$0.4)	(\$0.4)	(\$0.4)	(\$0.4)
MVDL Fees Chap 301	\$26.3	\$53.5	\$54.5	\$54.5	\$54.5
Total Estimated Impact to Locals	\$5.0	\$20.0	\$30.2	\$30.2	\$30.2

* Corrected to 6 months of impact.

ASSUMPTION (continued)

Table 3: **B&P** Revenue Impact by State Funds - figures in Millions

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
General Revenue	(\$252.0)	(\$449.7)	(\$353.2)	(\$266.9)	(\$217.3)
Conservation Commission	\$0.8	\$1.8	\$2.1	\$2.1	\$2.1
Parks, Soil & Water	\$0.5	\$1.5	\$1.7	\$1.7	\$1.7
School District Trust	\$5.9	\$14.4	\$16.9	\$16.9	\$16.9
State Highway Fund	\$78.9	\$160.6	\$163.5	\$163.5	\$163.5
MO Senior Services Protection Funds	\$0.0	\$40.0	\$40.0	\$40.0	\$40.0

Oversight assumes the many programs and changes to existing programs in this proposal may have a positive impact on the state. However, Oversight considers this to be an indirect impact of the proposals and will not reflect them in the fiscal note.

This proposal will impact the calculation under Article X, Section 18(e).

**FISCAL IMPACT -
 State Government**

**GENERAL
 REVENUE**

	FY 2019 (6 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2023)
<u>Additional Revenue</u> Streamlined Sales & Use Agreement §32.070 p. 5-7	\$0	\$7,500,000	\$15,100,000	\$15,100,000
<u>Additional Revenue</u> Repeal of the 3-Factor Apportionment §32.200 p. 7	\$0	\$141,600,000	\$141,600,000	\$141,600,000
<u>Additional Revenue</u> Property Tax Credit renters not eligible §135.025 p. 8-9	\$0	\$53,900,000	\$53,900,000	\$53,900,000
<u>Additional Revenue</u> Individual & Corporate Federal Income Tax Liability Deduction Phased Out §143.171 p. 15-16	\$0	\$107,700,000	\$107,700,000	\$107,700,000
<u>Additional Revenue</u> Withholding Timely Filing Discount Eliminated §143.261 p.17	\$15,500,000	\$31,000,000	\$31,000,000	\$31,000,000
<u>Additional Revenue</u> Sales & Use Timely Filing Discounts Eliminated §144.140 p. 18	\$16,500,000	\$33,000,000	\$33,000,000	\$33,000,000

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2019 (6 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2023)
GENERAL REVENUE (continued)				
<u>Additional Revenue</u> Textbook Exemption Repealed §144.517 p.19	\$1,350,000	\$2,700,000	\$2,700,000	\$2,700,000
<u>Additional Revenue</u> Managed Care Organization provider tax §208.431 - §208.437 p. 19-20	\$52,000,000	\$52,000,000	\$52,000,000	\$52,000,000
<u>Additional Revenue</u> Motor Vehicle & Marine Fees and Penalties Chapters 301 & 306 p.27	\$1,842,715	\$3,752,328	\$3,819,261	\$3,981,354
<u>Additional Revenue</u> Drivers License Fees Chapter 302 p. 29	\$1,791,125	\$3,647,956	\$3,713,662	\$3,871,274
<u>Cost - DOR</u> Streamlined Sales and Use Tax Agreement Integrated Tax System Changes §32.070 p. 6	(\$662,114)	\$0	\$0	\$0
<u>Cost - DOR §32.070</u>				
Personal Service	(\$72,520)	(\$87,894)	(\$88,773)	(\$90,558)
Fringe Benefits	(\$48,508)	(\$58,469)	(\$58,730)	(\$59,259)
Equip. & Expenses	(\$26,443)	(\$3,820)	(\$3,914)	(\$4,112)
<u>Total Costs</u> p. 5-7	(\$147,471)	(\$150,183)	(\$151,417)	(\$153,929)
FTE Change - DOR	3 FTE	3 FTE	3 FTE	3 FTE

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2019 (6 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2023)
GENERAL REVENUE (continued)				
<u>Revenue Reduction</u> Changes to the Individual Income Tax Rate §143.011, .021 & .171 p. 10-14	(\$322,200,000)	(\$729,300,000)	(\$640,600,000)	(\$504,700,000)
<u>Revenue Reduction</u> Corporate Tax Rate Reduction from 6.25% to 5% §143.071 p. 14	(\$27,600,000)	(\$55,200,000)	(\$55,200,000)	(\$55,200,000)
<u>Transfer Out - to Other Managed Care Organization Fund for reimbursement of assessment §208.431 - §208.437 p. 19-20</u>	(\$16,700,000)	(\$16,700,000)	(\$16,700,000)	(\$16,700,000)
<u>Cost - DSS p.20</u>				
Personal Service	(\$43,568)	(\$52,804)	(\$53,332)	(\$54,404)
Fringe Benefits	(\$30,920)	(\$37,259)	(\$37,416)	(\$37,734)
Equipment & Exp	(\$2,262)	(\$1,304)	(\$1,336)	(\$1,403)
Actuarial Study	<u>(\$50,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Total Costs - DSS</u>	(\$126,750)	(\$91,367)	(\$92,084)	(\$93,541)
FTE Change - DSS	1 FTE	1 FTE	1 FTE	1 FTE
<u>Transfer Out - to Missouri Senior Service Protection Fund §208.1050 p. 21</u>	\$0	(\$40,000,000)	(\$40,000,000)	(\$40,000,000)

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2019 (6 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2023)
GENERAL REVENUE (continued)				
 <u>Cost - ITSD computer updates due to MVDL fee changes Chapters 301-306 p. 29</u>	(\$64,881)	(\$15,957)	\$0	\$0
 <u>Cost - Motor Vehicle Bureau administrative costs Chapters 301 & 306 p.26-27</u>	(\$29,861)	(\$29,861)	\$0	\$0
 <u>Cost - Drivers License Bureau administrative costs Chapter 302 p.27-28</u>	(\$58,677)	\$0	\$0	\$0
 <u>Revenue Reduction - Capitol Complex tax credit §620.3210 p. 22</u>	<u>\$0</u>	(Up to <u>\$10,000,000</u>)	(Up to <u>\$10,000,000</u>)	(Up to <u>\$10,000,000</u>)
 ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$278,605,914)</u>	<u>(\$414,687,084)</u>	<u>(\$318,210,578)</u>	<u>(\$181,994,842)</u>
 Estimated Net FTE Change on General Revenue	4 FTE	4 FTE	4 FTE	4 FTE

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2019 (6 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2023)
CONSERVATION COMMISSION FUND				
<u>Additional Revenue</u> Streamline Sales & Use Tax Agreement §32.070 p. 5-7	\$0	\$300,000	\$600,000	\$600,000
<u>Additional Revenue</u> Sales & Use Timely Filing Discount & Textbook Exemption Eliminations §144.140 & §144.517 p. 18-19	<u>\$800,000</u>	<u>\$1,500,000</u>	<u>\$1,500,000</u>	<u>\$1,500,000</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>\$800,000</u>	<u>\$1,800,000</u>	<u>\$2,100,000</u>	<u>\$2,100,000</u>

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2019 (6 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2023)
PARKS, SOIL & WATER FUND				
<u>Additional Revenue</u> Streamline Sales & Use Tax Agreement §32.070 p. 5-7	\$0	\$300,000	\$500,000	\$500,000
<u>Additional Revenue</u> Sales & Use Timely Filing Discount & Textbook Exemption Eliminations §144.140 & §144.517 p. 18-19	<u>\$500,000</u>	<u>\$1,200,000</u>	<u>\$1,200,000</u>	<u>\$1,200,000</u>
ESTIMATED NET EFFECT ON PARKS, SOIL & WATER FUND	<u>\$500,000</u>	<u>\$1,500,000</u>	<u>\$1,700,000</u>	<u>\$1,700,000</u>

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2019 (6 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2023)
 SCHOOL DISTRICT TRUST FUND				
<u>Additional Revenue</u> Streamline Sales & Use Tax Agreement §32.070 p. 5-7	\$0	\$2,500,000	\$5,000,000	\$5,000,000
<u>Additional Revenue</u> Sales & Use Timely Filing Discount & Textbook Exemption Eliminations §144.140 & §144.517 p. 18-19	<u>\$5,900,000</u>	<u>\$11,900,000</u>	<u>\$11,900,000</u>	<u>\$11,900,000</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>\$5,900,000</u>	<u>\$14,400,000</u>	<u>\$16,900,000</u>	<u>\$16,900,000</u>

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2019 (6 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2023)
 OTHER MANAGED CARE ORGANIZATION FUND				
<u>Transfer In</u> - from General Revenue for provider reimbursement §208.431 - §208.437 p. 19-20	\$16,700,000	\$16,700,000	\$16,700,000	\$16,700,000
<u>Cost</u> - DSS medicaid program costs	<u>(\$16,700,000)</u>	<u>(\$16,700,000)</u>	<u>(\$16,700,000)</u>	<u>(\$16,700,000)</u>
 ESTIMATED NET EFFECT ON OTHER MANAGED CARE ORGANIZATION FUND	 <u>\$0</u>	 <u>\$0</u>	 <u>\$0</u>	 <u>\$0</u>

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2019 (6 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2023)
 MO SENIOR SERVICES PROTECTION FUND				
<u>Transfer In - from General Revenue §208.1050 p. 21</u>	<u>\$0</u>	<u>\$40,000,000</u>	<u>\$40,000,000</u>	<u>\$40,000,000</u>
 ESTIMATED NET EFFECT ON THE MO SENIOR SERVICES PROTECTION FUND	 <u>\$0</u>	 <u>\$40,000,000</u>	 <u>\$40,000,000</u>	 <u>\$40,000,000</u>
 STATE HIGHWAY FUND				
<u>Additional Revenue Motor Vehicle & Marine Fees and Penalties Chapters 301 & 306 p. 27</u>	\$75,291,422	\$153,282,722	\$155,982,600	\$162,602,658
<u>Additional Revenue Drivers License Fees Chapter 302 p. 29</u>	<u>\$3,566,829</u>	<u>\$7,334,990</u>	<u>\$7,536,321</u>	<u>\$7,856,170</u>
 ESTIMATED NET EFFECT ON STATE HIGHWAY FUND	 <u>\$78,858,251</u>	 <u>\$160,617,712</u>	 <u>\$163,518,921</u>	 <u>\$170,458,828</u>

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2019 (6 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2023)
 MOTORCYCLE SAFETY FUND				
 <u>Additional Revenue</u>				
Drivers License Fees Chapter 302 p. 29	<u>\$101</u>	<u>\$206</u>	<u>\$210</u>	<u>\$218</u>
 ESTIMATED NET EFFECT ON THE MOTORCYCLE SAFETY FUND	 <u>\$101</u>	 <u>\$206</u>	 <u>\$210</u>	 <u>\$218</u>
 HIGHWAY PATROL INSPECTION FUND				
 <u>Additional Revenue</u>				
Increase motor vehicle licensing and registration fees §307.360 p. 29-33	<u>\$3,092,184</u>	<u>\$6,184,367</u>	<u>\$6,314,239</u>	<u>\$6,582,222</u>
 ESTIMATED NET EFFECT ON HIGHWAY PATROL INSPECTION FUND	 <u>\$3,092,184</u>	 <u>\$6,184,367</u>	 <u>\$6,314,239</u>	 <u>\$6,582,222</u>

FISCAL IMPACT -
State Government
 (continued)

FY 2019
 (6 Mo.)

FY 2020

FY 2021

Fully
 Implemented
 (FY 2023)

**CAPITOL
 COMPLEX FUND**

Donations - value of
 donations (50% tax
 credit for cash
 donations, 30% tax
 credit for donations of
 artifacts) §620.3200
 p. 22

<u>\$0</u>	Up to <u>\$20,000,000</u>	Up to <u>\$20,000,000</u>	Up to <u>\$20,000,000</u>
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**ESTIMATED NET
 EFFECT ON THE
 CAPITOL
 COMPLEX FUND**

<u>\$0</u>	Up to <u>\$20,000,000</u>	Up to <u>\$20,000,000</u>	Up to <u>\$20,000,000</u>
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<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2019 (6 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2023)
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FEDERAL FUNDS

<u>Income</u> - DSS managed care organizations provider tax assessment §208.431 - 208.437 p. 19-20	\$31,400,000	\$31,400,000	\$31,400,000	\$31,400,000
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<u>Income</u> - DSS program reimbursement	\$76,750	\$91,367	\$92,084	\$93,541
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<u>Cost</u> - DSS program costs §208.431 - 208.437 p. 19-20	(\$31,400,000)	(\$31,400,000)	(\$31,400,000)	(\$31,400,000)
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<u>Cost</u> - DSS Personal Service	(\$43,568)	(\$52,804)	(\$53,332)	(\$54,404)
Fringe Benefits	(\$30,920)	(\$37,259)	(\$37,416)	(\$37,734)
Equipment & Exp	<u>(\$2,262)</u>	<u>(\$1,304)</u>	<u>(\$1,336)</u>	<u>(\$1,403)</u>
<u>Total Costs - DSS</u>	<u>(\$76,750)</u>	<u>(\$91,367)</u>	<u>(\$92,084)</u>	<u>(\$93,541)</u>
FTE Change - DSS	1 FTE	1 FTE	1 FTE	1 FTE

ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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Estimated FTE Change on Federal Funds	1 FTE	1 FTE	1 FTE	1 FTE
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<u>FISCAL IMPACT - Local Government</u>	FY 2019 (6 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2023)
LOCAL POLITICAL SUBDIVISIONS				
<u>Additional Revenue</u> Streamline Sales & Use Agreement §32.070 p. 5-7	\$0	\$9,100,000	\$18,300,000	\$18,300,000
<u>Additional Revenue</u> Sales & Use Tax Timely Filing Discount Eliminated §144.140 p. 18	\$41,300,000	\$82,600,000	\$82,600,000	\$82,600,000
<u>Additional Revenue</u> Cities - MV & Marine Fees and Penalties Chapters 301 & 306 p.27	\$15,058,284	\$30,656,544	\$31,196,520	\$32,520,532
<u>Additional Revenue</u> Counties - Motor Vehicle & Marine Fees and Penalties Chapters 301 & 306 p. 27	\$10,038,856	\$20,437,696	\$20,797,680	\$21,680,354
<u>Additional Revenue</u> Cities - Drivers License Fees Chapters 302 p. 29	\$713,366	\$1,466,998	\$1,507,264	\$1,571,234
<u>Additional Revenue</u> Counties - Drivers License Fees Chapters 302 p. 29	\$475,577	\$977,998	\$1,004,843	\$1,047,490

<u>FISCAL IMPACT -</u> <u>Local Government</u> (continued)	FY 2019 (6 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2023)
LOCAL POLITICAL SUBDIVISIONS (continued)				
<u>Revenue Reduction</u> Cities and Counties not able to opt out of School Tax Holiday §144.049 p. 17	\$0	(\$400,000)	(\$400,000)	(\$400,000)
<u>Revenue Reduction -</u> Manufacturing Sales Tax Exemption §144.054 p. 18	(\$62,200,000)	(\$124,400,000)	(\$124,400,000)	(\$124,400,000)
<u>Revenue Reduction</u> Cities and Counties not able to opt out of Show Me Green Sales Tax Holiday §144.526 p. 19	<u>(\$400,000)</u>	<u>(\$400,000)</u>	<u>(\$400,000)</u>	<u>(\$400,000)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISION FUNDS	<u>\$4,986,083</u>	<u>\$20,039,236</u>	<u>\$30,206,307</u>	<u>\$32,519,610</u>

FISCAL IMPACT - Small Business

Small businesses will be impacted by several provisions in this proposal.

FISCAL DESCRIPTION

DIVISION OF FACILITIES MANAGEMENT - This bill requires the maintenance and repair of all facilities belonging to the Department of Corrections be under the control and management of the Division of Facilities Management, Design and Construction (§8.110).

STREAMLINED SALES AND USE TAX - This bill requires the Director of the Department of Revenue to enter into the "Streamlined Sales and Use Tax Agreement" with one or more states to simplify and modernize sales and use tax administration in order to substantially reduce the burden of tax compliance for all sellers and types of commerce. The bill specifies that:

- (1) When a city annexes or detaches property, the city clerk must forward a certified copy of the ordinance to the department director within 10 days of adoption of the ordinance. The tax rate in the added or abolished territory must become effective on the first day of the calendar quarter 120 days after the sellers receive notice of the change (§32.087.18);
- (2) When a political subdivision changes the tax rate or the local sales tax boundary, the change must become effective on the first day of the calendar quarter 120 days after the sellers receive notice of the change (Section 32.087.19); and
- (3) When specified political subdivisions repeal an existing tax, the repeal must become effective on the first day of the calendar quarter 120 days after notice to sellers (§66.620 - §67.1545, §67.1775, §67.2000, and §67.2530).

The bill also:

- (1) Requires the department to establish the necessary rules to implement the compliance provisions of the agreement. The state must be represented by three delegates including a person appointed by the Governor, a member of the General Assembly appointed by mutual consent of the President Pro Tem of the Senate and the Speaker of the House of Representatives, and the department director or his or her designee. The delegates must make an annual report by January 15 on the status of the agreement (§32.070);
- (2) Authorizes the department director to retain 1% of the amount of any local sales or use taxes collected by the department for the cost of collection (§32.086 and §67.395 - §67.576);
- (3) Requires the department director to perform all functions regarding the administration, collection, enforcement, and operation of all sales taxes. All state and local sales taxes must have the same base which means that exemptions at the state and local level must be identical (§67.1545, §67.2030, and §67.2530);

FISCAL DESCRIPTION (continued)

(4) Defines "delivery charges," "food and food ingredients," "bottled water," "candy," "ancillary services," "lease or rental," and "purchase price" as they apply in the streamlined agreement. The bill also defines "engages in business activities within this state" and "maintains a place of business in this state" as they relate to the collection of taxes and defines "tangible personal property" to exclude specified digital products, digital audiovisual works, digital audio works, and digital books (§144.010);

(5) Changes the definition of "durable medical equipment" by removing the requirement that it be for home use and the definition of "prepared food" to exclude food sold that ordinarily requires additional cooking as opposed to just reheating by the consumer prior to consumption (§144.010);

(6) Establishes rules to determine the taxability of bundled transactions involving both taxable and nontaxable goods or services (§144.022);

(7) Requires uniform sourcing rules to determine what tax rates will apply to certain transactions (§144.043, and §144.111 - §144.112);

(8) Requires the department director to participate in an online registration system that will allow sellers to register in this state and other member states. Registration with the central registration system and the collection of sales and use taxes in this state must not be used as a factor in determining whether the seller has nexus with this state for any tax at any time (§144.082);

(9) Requires the department director to establish rules and regulations for the remittance of sales and use taxes that allow for payments by all remitters and requires a seller to submit its sales and use tax returns electronically in a simplified format approved and prescribed by the department director (§144.084);

(10) Requires a seller to be allowed a deduction from taxable sales for bad debts attributable to taxable sales that have become un-collectable (§144.105);

(11) Requires the department director to provide and maintain an electronic database that describes boundary changes for all taxing jurisdictions and the effective dates of the changes for sales and use tax purposes, a database of all sales and use tax rates for all taxing jurisdictions, and a database that assigns each five- and nine-digit zip code to the proper rates and taxing jurisdictions.

FISCAL DESCRIPTION (continued)

The department director must complete a taxability matrix and provide reasonable notice of changes in the taxability of products or services listed in the matrix. A seller or certified service provider can be liable for reliance upon erroneous data provided by the department director on tax rates, boundaries, or taxing jurisdiction assignments (§144.123 - §144.124);

(12) Authorizes an amnesty to certain out-of-state sellers with uncollected or unpaid sales or use tax if the seller was not registered in Missouri in the prior 12-month period before the effective date of this state's participation in the streamlined agreement (§144.125); and

(13) Requires the department director to provide a monetary allowance under the automated collection system for sellers and certified service providers for collecting and remitting the state and local sales taxes. Currently, sellers are allowed to keep 2% for collecting and timely remitting the tax. A seller cannot simultaneously receive this monetary allowance and the 2% timely filing deduction (§144.140 and §144.710).

SALES AND USE TAX CHANGES FOR STREAMLINED SALES AND USE TAX - The bill:

(1) Authorizes a state and local sales and use tax exemption for sales of over-the-counter drugs to individuals with disabilities, and all sales of durable medical equipment, prosthetic devices, mobility enhancing equipment, and drugs dispensed by prescription (§144.030.2(19));

(2) Revises the list of items exempted from state and local sales and use tax to add all sales of piped natural or artificial gas or other fuels delivered by the seller for domestic use and to remove all sales of electrical current, natural, artificial or propane gas, wood, coal, or home heating oil. It also repeals the exemption for all sales of water service for domestic use in the City of St. Louis (§144.030.2(24) and §144.032);

(3) Authorizes a state and local sales and use tax exemption for school instructional materials (§144.030.2(45));

(4) Changes the purchase limits on the back-to-school sales tax holiday from a per transaction limit to a per item limit and adds instructional materials and school computer supplies (§144.049); and

(5) Requires any out-of-state seller who voluntarily collects and remits use tax to file and remit the tax annually unless the amount is equal to \$1,000 or more. The seller must file and remit the use tax for the month when \$1,000 or more is due (§144.655.7).

FISCAL DESCRIPTION (continued)

The provisions of the bill regarding the "Streamlined Sales and Use Tax Agreement" will become effective January 1, 2019.

SINGLE SALES FACTOR APPORTIONMENT - Currently, a corporation can use three factor apportionment (property, payroll, & sales) or single factor (sales) apportionment to determine its Missouri taxable income when the corporation has both in-state and out-of-state income. This bill eliminates the three factor, requiring corporations to use single factor (§32.200).

SENIOR CITIZENS PROPERTY TAX CREDIT FOR RENTERS - This bill prohibits the issuance of the renter's portion of the senior citizens property tax credit (§135.025 to §135.030).

INCOME TAX - Current law provides for a reduction in the top rate of income tax over a period of years from 6% to 5.5%, with each cut becoming effective if net general revenue collections meet a certain trigger. This bill eliminates some of the tax rate brackets so that the top tax rate is 5% for all income over \$7,000, indexed for inflation beginning in the 2020 calendar year (§143.011 and §143.021).

CORPORATE INCOME TAX - Beginning January 1, 2019, this bill reduces the corporation tax rate from 6.25% to 5% (§143.071).

FEDERAL TAX DEDUCTION - Currently, an individual can deduct his or her federal income tax liability up to \$5,000 or if a combined return, up to \$10,000; and a corporation can deduct up to 50% of its federal income tax liability. Beginning January 1, 2019, this bill phases out this deduction for both individuals and corporations based on taxable income limits (§143.171).

WITHHOLDING TAX COMPENSATION - Currently, an employer is allowed to retain an amount between .5% to 2% of the amount of withholding tax due to the state if the employer timely remits the tax due on or before the due date. This bill repeals such allowance (§143.225 and §143.261).

SALES AND USE TAX ALLOWANCE - Currently, a vendor is allowed to retain 2% of the amount of sales or use tax due to the state if the vendor timely remits the tax due on or before the due date. This bill repeals such allowance (§144.070, §144.140 and §144.710).

MANAGED CARE ORGANIZATIONS - Currently, each Medicaid managed care organization in this state must pay, in addition to all other fees or taxes required by law, a Medicaid managed care organization reimbursement based on a formula set forth in rules promulgated by the Department of Social Services. Beginning July 1, 2018, this bill changes the allowance to

FISCAL DESCRIPTION (continued)

managed care organizations including Health Maintenance Organizations (HMOs) providing benefits to MO HealthNet managed care program eligibility groups. The managed care organization reimbursement allowance may be imposed on the basis of revenue or enrollment and can impose differential rates on Medicaid and commercial business. The Department of Social Services must recognize the cost of the reimbursement allowance as a cost in calculating actuarially sound reimbursement rates (§208.431 to §208.437).

MO SENIOR SERVICES PROTECTION FUND - This bill requires the Department of Revenue to calculate the amount claimed for the federal tax liability deduction of corporations in Section 143.171 in the 2018 fiscal year and allocate up to \$40 million to be transferred, upon appropriation, from the General Revenue Fund to the Missouri Senior Services Protection Fund annually (§208.1050).

MOTOR VEHICLE FEES - This bill increases motor vehicle fees to account for inflation from 1984 to 2018. Beginning 2020 and every third year thereafter, the bill requires motor vehicle fees to be indexed to inflation. The Director of Revenue is required to publish the increased fee amounts by October first and the fee adjustments will take effect the following January first (§301.015 to §301.4000, §302.012 to §302.735, §306.012 to §306.550, and §307.360 to §307.365).

CAPITOL COMPLEX TAX CREDIT ACT - Beginning January 1, 2019, this bill creates the Capitol Complex Tax Credit Act and authorizes a tax credit equal to 50% of any monetary donation and 30% of the value of any eligible artifact donation. The credit for monetary donations is refundable while the credit for donated artifacts is not refundable, but can be carried forward for up to four years or sold. The credits are capped at \$10 million per year and are on a first-come, first-served basis. Donations received after the cap is met will have priority the following tax year.

Monetary donations will be deposited into the newly created, Capitol Complex Fund, and shall be segregated into two accounts: a rehabilitation and renovation account, and a maintenance account. Ninety percent of the revenues deposited into the fund will go for the rehabilitation and renovation account and 7.5% of revenues deposited in the fund will go to the maintenance account. The remaining 2.5% of the funds may be used for fund-raising, advertising, and administrative costs. The Commissioner of Administration will decide which projects, the methods of carrying out the projects, and the procurement of goods and services. The provisions of this credit will sunset December 31 six years after the effective date (§620.3210).

FISCAL DESCRIPTION (continued)

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

Callaway County
Department of Conservation
Department of Corrections
Department of Economic Development
Department of Health and Senior Services
Department of Natural Resources
Department of Revenue
Department of Social Services
Joint Committee on Administrative Rules
Kirksville R-III School District
Missouri Department of Transportation
Missouri Development Finance Board
Missouri Gaming Commission
Missouri Highway Patrol
Office of Administration
 Division of Budget and Planning
 Division of Accounting
 Division of Facilities Management, Design and Construction
Summersville R-II School District
St. Louis County
University of Missouri's Economic and Policy Analysis Research Center
Wellsville-Middletown R-I School District

Ross Strobe



Acting Director
March 5, 2018