

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3564-01
Bill No.: HB 1771
Subject: Taxation and Revenue - General; Taxation and Revenue - Income; Emergencies; Department of Revenue
Type: Original
Date: March 10, 2020

Bill Summary: This proposal requires the Department of Revenue to issue income tax refunds to the estates or families of certain terrorist attacks.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
General Revenue	\$0 or up to (\$1,071,821) to (Unknown)	\$0 or up to (\$253,054) to (Unknown)	\$0 or up to (\$248,279) to (Unknown)	\$0 or up to (\$243,505) to (Unknown)
Total Estimated Net Effect on General Revenue	\$0 or up to (\$1,071,821) to (Unknown)	\$0 or up to (\$253,054) to (Unknown)	\$0 or up to (\$248,279) to (Unknown)	\$0 or up to (\$243,505) to (Unknown)

*The fiscal impact depends upon the number (if any) of 9/11 qualified first responders that die from related injuries or wounds in a given year and their Missouri taxable income. Oversight assumes the number that qualify for this exemption will not be numerous.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Total Estimated Net Effect on FTE	0	0	0	0

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

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget & Planning Division (B&P)** state this proposal would exempt "qualified first responders" from income tax, from the year of their injury through the year of their death. A specified terrorist victim is defined as any first responder who died or was injured due to the 9/11 terrorist attacks. Any income taxes collected from such qualified first responders shall be fully refunded to such individuals. B&P assumes that this proposal would include all income taxes collected from tax year 2011 through the tax year of their death.

Based on information published by the CDC, there are 100 to 499 individuals living in Missouri and enrolled in the World Trade Center Health Program.

Based on data published by the U.S. Bureau of Economic Analysis the median per capita income in Missouri for 2018 was \$47,746. Therefore, B&P estimates that this proposal may exempt from \$4.8 million (100 x \$47,746) to \$23.8 million (499 x \$47,746) in income per year. However, deductions do not reduce revenues on a dollar for dollar basis, but rather in proportion to the top tax rate applied. Therefore, B&P will show the estimated impacts throughout the implementation of the tax rate reductions from SB 509 (2014). Table 1 shows the estimated impact for each tax year from 2017 through 2023 as B&P assumes tax refunds would be subject to the provisions of the statute of limitations under Section 143.801.

Tax Year	Per Capita MOPI	Top Tax Rate**	Missouri Victims	
			Low (100)	High (499)
2017	\$45,744	6.00%	\$274,464	\$1,369,575
2018	\$47,746	5.90%	\$281,701	\$1,405,690
*2019	\$47,746	5.40%	\$257,828	\$1,286,564
*2020	\$47,746	5.40%	\$257,828	\$1,286,564
*2021**	\$47,746	5.30%	\$253,054	\$1,262,738
*2022**	\$47,746	5.20%	\$248,279	\$1,238,913
*2023**	\$47,746	5.10%	\$243,505	\$1,215,088

*Uses 2018 Per Capita, Missouri Personal Income data

**Assumes remaining SB 509 (2014) triggers are reached for tax years 2021 through 2023.

B&P notes that all income taxes collected beginning with Tax Year 2017 through Tax Year 2019 would be fully refundable under this proposal at the date of enactment. B&P assumes such refunds would be paid during Fiscal Year 2021. Therefore, B&P estimates that this proposal could reduce Total State Revenue (TSR) and General Revenue (GR) by \$1,071,821 to \$5,348,393 during Fiscal Year 2021. Once SB 509 (2014) has fully implemented, this proposal could reduce TSR and GR by \$243,505 to \$1,215,088 annually.

ASSUMPTION (continued)

Fiscal Year	Top Tax Rate (prior tax year)	Estimated Impact to GR	
		Low	High
2021	6.0% to 5.4%	\$1,071,821	\$5,348,393
2022	5.4%	\$257,828	\$1,286,564
	or	or	
	5.3%	\$253,054	\$1,262,738
2023	5.4%	\$257,828	\$1,286,564
	or	or	
	5.2%	\$248,279	\$1,238,913
2024	5.4%	\$257,828	\$1,286,564
	or	or	
	5.1%	\$243,505	\$1,215,088
Fully Implemented	5.1%	\$243,505	\$1,215,088

Officials from the **Missouri Department of Revenue (DOR)** state this proposed legislation adds new Subsection 143.991.3, which makes the income tax provisions of Chapter 143 inapplicable to a "qualified first responder", which is defined as a decedent who dies or is wounded as a result of the 9/11/01 terror attack.

This proposal would require the refunding of any tax owed to the first responder's estate.

DOR is unable to determine how many taxpayers would qualify for this provisions. DOR assumes the loss to GR would be minimal.

Oversight notes this proposed legislation would provide personal income tax relief to qualified first responders which is defined as a first responder who is killed in a terrorist attack or dies as a result of one or more wounds, injuries, illnesses or other negative health conditions incurred as a result of a terrorist attack. Oversight further notes "terrorist attack" is defined as the terrorist attacks that occurred on September 11, 2001, in New York City, in Shanksville, Pennsylvania, or the Pentagon, as applicable, on such date.

Oversight assumes an individual must decease before such individual qualifies for the exemption set forth in this proposed legislation. Therefore, Oversight assumes amended tax returns would be filed by an executor of the deceased individual.

ASSUMPTION (continued)

Oversight assumes this proposed legislation would exempt, for qualified first responders, income for any prior taxable year beginning in the year the first responder was first wounded or injured or became ill or incurred a negative health condition as a result of a terrorist attack.

Oversight notes, for each qualifying first responder, a total of 19 tax years could be amended to benefit from the exemption set forth at the time this proposed legislation is enacted on August 28, 2020 (beginning in the tax year in which the wounds or injury or death were incurred (2001 to the most recent tax year's returns reported - Tax Year 2019 filed Calendar Year 2020). Oversight assumes the number of tax years that could be amended to benefit from the exemption set forth could increase each year qualifying first responders remain alive.

However, **Oversight** notes Section 143.801 provides that no taxpayer shall be entitled to a refund in which such refund claim is filed in excess of three years from the time the return was filed (due) or two years from the time the tax was paid.

Therefore, **Oversight** assumes, for each qualifying individual, a total of 3 tax years (2017, 2018 and 2019) could be amended to benefit from the exemption set forth at the time this proposed legislation is enacted on August 28, 2020.

Oversight is unable to determine how many qualifying first responders have deceased or will become deceased in specific future years. Furthermore, Oversight is unaware of the qualifying first responder's income that would become exempt under this proposed legislation. For purposes of this fiscal note, Oversight will report a revenue reduction using a range beginning at \$0 (no refund claims are submitted to DOR) to an amount "up to" B&P's estimates (low to high) and ending with a negative "unknown."

Oversight notes the State of Connecticut allows for a similar exemption. However, Connecticut's law allows for an exemption of income tax to specified terrorist victims only in the taxable year in which falls the date of his or her death.

New York allows for an income tax exemption for Tax Year 2000 and all later tax years up to and including the year of the death of an individual, as a result of the September 11, 2001 terrorist attacks.

New Jersey allows an exclusion for income of victims who died as a result of the September 11, 2001 terrorist attacks which applies for Tax Year 2000 and all later years up to and including the year of death.

ASSUMPTION (continued)

Officials from the **Joint Committee on Administrative Rules (JCAR)** assume this proposal is not anticipated to cause a fiscal impact beyond current appropriations.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Oversight notes the **Office of State Courts Administrator** and the **Missouri Department of Health and Senior Services** have stated the proposed legislation would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for these organizations.

<u>FISCAL IMPACT -</u> <u>State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
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**GENERAL
REVENUE FUND**

<u>Revenue Reduction -</u> Section 143.993 - Income tax exemption for qualified first responders	\$0 or up to (\$1,071,821 to <u>(Unknown)</u>)	\$0 or up to (\$253,054 to <u>(Unknown)</u>)	\$0 or up to (\$248,279 to <u>(Unknown)</u>)	\$0 or up to (\$243,505 to <u>(Unknown)</u>)
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 or up to</u> <u>(\$1,071,821 to</u> <u>(Unknown)</u>	<u>\$0 or up to</u> <u>(\$253,054 to</u> <u>(Unknown)</u>	<u>\$0 or up to</u> <u>(\$248,279 to</u> <u>(Unknown)</u>	<u>\$0 or up to</u> <u>(\$243,505 to</u> <u>(Unknown)</u>
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<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill establishes the "Christopher J. Bosche Memorial Act" which requires the Department of Revenue to refund income taxes received from a qualified first responder or estate for any tax year during or after the qualified date.

The bill defines:

(1) A "Qualified date" as the earliest date on which any of the following occurred:

FISCAL DESCRIPTION (continued)

(a) The qualified first responder was first wounded or injured as a result of the September 11, 2001 terrorist attacks;

(b) The qualified first responder first became ill or incurred a negative health condition as a result of the September 11, 2001 terrorist attacks; or

(c) The qualified first responder was killed as a result of the September 11, 2001 terrorist attacks.

(2) A "Qualified first responder" as a first responder who was killed in the September 11, 2001 terrorist attacks or dies as a result of one or more wounds, injuries, illnesses, or other negative health conditions incurred as a result of the September 11, 2001 terrorist attacks.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget & Planning Division
Missouri Department of Revenue
Joint Committee on Administrative Rules
Missouri Secretary of State's Office
Missouri Department of Health and Senior Services
Office of State Courts Administrator



Julie Morff
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March 10, 2020



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March 10, 2020