COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2044-01
Bill No.: HB 943
Subject: Tax Credits; Telecommunications; Economic Development
Type: Original
Date: April 11, 2011

Bill Summary: This proposal authorizes incentives for enhancing broadband availability in the state.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	$0	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	**$0**	**(Unknown)**	**(Unknown)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Budget and Planning** (**BAP**) assume this proposal provides a tax credit to any taxpayer that installs wireless internet transmitters, broadband amplification equipment, new internet management software, or any broadband hardware that will improve broadband transmission. This proposal does not require that the purchased equipment be purchased in Missouri nor does it require the equipment to be used or installed in Missouri, nor is there a prohibition on purchasing the equipment, claiming the credit, and then reselling the equipment. Also, there are no caps on this tax credit. BAP does not have data on the annual amount of qualifying equipment purchases. Therefore, this proposal will reduce general and total state revenues by an unknown amount.

Officials at the **Department of Revenue** assume this proposal would require the department to make from changes and programming changes to various tax systems. The department's response to a proposal similar to or identical to this one in a previous session indicated the department planned to absorb the administrative costs to implement the proposal. Due to budget constraints, reduction of staff and the limitations within the department's tax systems, changes cannot be made without significant impact to the department's resources and budget. Therefore, the IT portion of the fiscal impact is estimated with a level of effort valued at $26,712, which is 1,008 FTE hours.

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

DOR's Personal Tax Division assumes the need for one revenue processing technician I per 4,000 additional tax credits claimed. Additionally, DOR's Corporate Tax Division assumes the need for one revenue processing technician I per 6,000 additional tax credit redemptions.

Oversight assumes that it is unclear how many taxpayers may be eligible for this program. Oversight assumes that DOR can absorb the cost of this program with existing resources. If a measurable increase occurs in the future as a direct result of this proposal then DOR could request FTE through the appropriation process.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many insurance companies will choose to

ASSUMPTION (continued)

participate in this program and take advantage of the tax credits. The department has no means to arrive at a reasonable estimate of loss in premium tax revenue as a result of tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

DIFP will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Officials at the **Department of Economic Development, Department of Natural Resources, Public Service Commission** and the **Office of the State Treasurer** assume that there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding 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 assumes this proposal states it is for all tax years beginning January 1, 2012. The proposal also states that it must be claimed with your income tax return making the first year the credit can be claimed FY 2013.

This proposal could result in a decrease in Total State Revenues.

FISCAL IMPACT - State Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE			
Loss - Department of Revenue tax credits for enhancing broadband	$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0**	**(Unknown)**	**(Unknown)**

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

FISCAL IMPACT - Local Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses that qualify for the credits could be affected.

FISCAL DESCRIPTION

This bill specifies that any company or subcontractor who provides increased telecommunications infrastructure that can elevate wireless broadband transmission equipment will be eligible for linked deposit loans.

Beginning January 1, 2012, the bill authorizes a tax credit to a taxpayer for the cost of purchasing new Internet broadband equipment. The credit is not refundable or transferable.

The provisions regarding the tax credit will expire December 31 six years from the effective date.

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

JH:LR:OD

SOURCES OF INFORMATION

Budget and Planning
Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Natural Resources
Department of Revenue
Office of the Secretary of State
Office of the State Treasurer
Public Service Commission

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JH:LR:OD