COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4150-04
Bill No.: HCS for HB 1542
Subject: Taxation and Revenue - Income; Revenue Dept
Type: Original
Date: March 28, 2012

Bill Summary: This proposal would enact a tax amnesty and make changes to personal income tax and other provisions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	More than $23,475,596 to (Unknown)	More than $23,507,115 to (Unknown)	More than $23,507,115 to (Unknown)
Total Estimated Net Effect on General Revenue Fund	**More than $23,475,596 to (Unknown)**	**More than $23,507,115 to (Unknown)**	**More than $23,507,115 to (Unknown)**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 23 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Conservation Commission	More than $6,566	More than $7,880	More than $7,880
Parks, and Soil and Water	More than $5,253	More than $6,304	More than $6,304
School District Trust	$52,532	$63,038	$63,038
Road *	$0	$0	$0
Total Estimated Net Effect on Other State Funds	**More than $64,531**	**More than $77,222**	**More than $77,222**

* offsetting revenues and revenue reductions.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
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 2013	FY 2014	FY 2015
Local Government	**Up to $2,615,534 to (Unknown)**	**Up to $2,638,641 to (Unknown)**	**Up to $2,638,641 to (Unknown)**

FISCAL ANALYSIS

ASSUMPTION

In response to a previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** assumed that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office 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, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

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

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume the proposed legislation would not result in additional costs or savings to their organization.

BAP officials stated this version would add several additional sections to the original proposal. In addition, the changes proposed to the income tax rate schedule have been modified. Those changes would have an impact on the BAP response, but time constraints have not allowed a thorough analysis.

Officials from the **Office of Administration**, the **Department of Agriculture**, the **Department of Economic Development**, and the **Department of Insurance, Financial Institutions, and Professional Registration** assume this proposal would have no fiscal impact to their organizations.

Officials from **St. Louis County** assume there may some costs to the County, but there is no way to determine what those may be until the rules are promulgated to administer the specific requirements of this legislation.

ASSUMPTION (continued)

Officials from the **City of Kansas City** assume the eventual impact of the Streamlined Sales Tax would be an increase in collections as a result of collection of tax for online sales.

Officials from the **Department of Natural Resources** assume this proposal could have an unknown impact to their organization from the increase in taxes, fees, and debts collected by the Department of Revenue.

Officials from the **Department of Conservation** (MDC) assume this proposal would provide additional collection procedures for the Department of Revenue, enact a Tax Amnesty, and would make several changes to person income tax provisions.

MDC officials assume there would be an unknown positive fiscal impact on the Department related to the amnesty program. Conservation Sales Tax funds are derived pursuant to the Missouri Constitution; therefore, a portion of sales tax collected through the amnesty program could be deposited to the Conservation Commission Fund.

Regarding the Streamlined Sales Tax provisions of the proposed legislation, MDC officials assume the fiscal impact is unknown, but greater than $100,000. 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 adjustment to Missouri sales tax law which could cause some downside risk to the Conservation Sales Tax.

Regarding the tax exemption for watercraft fuel provisions of the proposed legislation, MDC officials assume the fiscal impact is unknown but greater than $100,000. Exempting motor fuel used in watercraft in this state from tax would decrease sales tax collections, and decrease revenue to the Conservation Commission Fund.

MDC officials also assume the Department of Revenue would be better able to estimate the anticipated fiscal impact of this proposal.

Officials from the **Department of Elementary and Secondary Education** (DESE) assume that portions of this proposal appear to have a potential impact on the revenue stream of state and local governments; however, their organization has no means to calculate such impact.

ASSUMPTION (continued)

Officials from the **State Tax Commission** (TAX) assume this proposal would have no fiscal impact on their organization. Tax officials also told us that the provisions regarding motor vehicle assessment procedures and airplane assessments were technical issues with existing statutes. The provisions would allow all aircraft to be state assessed and the taxes on those aircraft would then be prorated based on flight miles, and county assessors would be able to solicit bids or proposals for motor vehicle valuation services.

Officials from the **Department of Revenue** (DOR) assume this proposal would make changes in the collection provisions for taxes and other debts owed to the state.

Section 32.087 RSMo One percent retention on sale tax collections.

DOR officials assume this provision could have a net positive effect on the General Revenue Fund of $0.38 million.

For fiscal note purposes, **Oversight** will indicate unknown additional revenue for the 1% collection fee for the General Revenue Fund for FY 2013, FY 2014, and FY 2015, and a corresponding unknown reduction in revenues for local governments.

Section 32.383 RSMo Tax Amnesty

DOR officials assume this legislation could have a net positive impact for FY 2013 on the General Revenue Fund of $51.8 million and on Total State Revenue of $61.4 million. The department estimates that $75 million (including $63 million in GR) may be received through amnesty, but $50 million total funds (including $42million in GR) would have been identified as outstanding liabilities by the department. DOR officials assume that an overwhelming majority of the $50 million, plus interest and penalties, could be collected without an amnesty. Because the Department has processes and personnel in place to collect delinquent taxes, the $50 million is taken into consideration when the consensus revenue estimates are determined for FY 2013 and future years.

Oversight assumes that DOR has or could identify and collect the approximately $50 million in outstanding balances from existing filers without the amnesty program; however, those taxes would be collected over a period of several years while the amnesty program would most likely achieve collection of the taxes due in FY 2013. Interest and penalties due on those delinquent taxes would not be collected.

ASSUMPTION (continued)

Oversight also notes that this proposal would authorize DOR to waive penalties, interest, and additions to tax which would be applied and collected under existing provisions regarding delinquent tax administration. Oversight assumes the additional taxes collected would exceed the penalties, interest and additional taxes which would have been collected, and for fiscal note purposes only will indicate an unknown revenue reduction for FY 2013 in the General Revenue Fund.

Oversight notes that this proposal would require DOR to deposit all collections from the amnesty program, except for those which are earmarked by the Missouri Constitution, into the state General Revenue Fund. Accordingly, Oversight will indicate unknown additional revenues for the state General Revenue Fund in excess of $100,000, in addition to the recovery of amnesty program costs, for FY 2013, FY 2014, and FY 2015. Oversight will indicate unknown additional revenues for the Conservation Commission Fund and the Parks, and Soil and Water Fund for FY 2013, FY 2014, and FY 2015.

DOR officials assume that the changes to Missouri personal income tax provisions would have a significant impact on Total State Revenue but were not able to provide an estimate of that impact.

Section 143.221 RSMo Annual Withholding Tax Filing

DOR officials assume these changes would delay the collection of withholding taxes. This provision would impact approximately 6,500 businesses and each of the businesses could delay until January of the following year, their remittance of withholding taxes that would have been paid in April, July, and October.

Oversight assumes this proposal would allow certain employers to delay filing and paying withholding taxes, which are currently due on a quarterly basis, until the following January 31. The amount of tax due and the overall amount of revenue for a tax year would not change; however, implementing this proposal would delay receipt of withholding taxes for one quarter over the end of a state fiscal year as explained below.

ASSUMPTION (continued)

* Taxes withheld for the third calendar quarter ending September 30, 2012 are currently filed and paid by October 31; the proposal would include those taxes in an annual filing due January 31, 2013. Those taxes would be received in the same fiscal year (FY 2013) as currently required, although filing and payment of those funds would be delayed three months. For fiscal note purposes there would be no impact from that delay.

* Taxes withheld for the fourth calendar quarter ended December 31, 2012 would be paid January 31, 2013 as currently required.

* Taxes withheld for the first calendar quarter ending March 31, 2013 (FY 2013) are currently required to be filed and paid by April 30, 2013. The proposal would include those taxes in an annual filing due January 31, 2014. They would be paid in January 2014 (FY 2014) instead of April 2013. That delay would be permanent, as each year's first quarter withholding taxes would be paid the following state fiscal year.

* Based on the number of filers provided by the Department of Revenue, the amount of taxes delayed over the end of a state fiscal year could range from (6,500 filers x the current $20 threshold) = $130,000 to (6,500 filers x the new $100 threshold) = $650,000.

* Taxes withheld for the calendar quarters ending June 30, 2013 and September 30, 2013 would be paid in January, 2014. Those taxes would also be paid in the same fiscal year as currently required but would be delayed six months and three months, respectively, as compared to current requirements.

For fiscal note purposes, **Oversight** will assume this proposal would result in an unknown revenue reduction greater than $100,000 for FY 2013. For FY 2014 and subsequent years, the previous year revenue received and the current year revenue deferred to the next year would be approximately equal.

ASSUMPTION (continued)

Section 488.305 RSMo Garnishment Surcharge

DOR officials assume these provisions would not affect Total State Revenue, but could result in increased expenditures for agencies that issue garnishments. DOR issued more than 8,400 garnishments in FY 2011 and if each garnishment cost the Department an additional $10, it would increase expenditures more than $80,000.

Oversight will indicate an additional cost of $80,000 to the Department of Revenue for the Garnishment surcharge.

DOR officials assumed that once fully implemented, the Streamlined Sales Tax Agreement should significantly increase sales tax collections. However, any increase in revenue would appear to be offset by the reduction in the individual income tax.

Oversight assumes this additional revenue would be greater than $100,000 per year and will indicate additional revenues for the General Revenue Fund and a corresponding reduction in personal income tax revenues

Administrative Impact

DOR officials assume Sales Tax would not require additional employees for the Sales Tax area, but rule writing would create a significant impact for which they would need additional managerial assistance. DOR officials included one additional Management Analyst Specialist I (Range 23, Step Q) for this purpose.

In addition, DOR officials assume that Excise Tax would require two additional FTE Revenue Processing Technicians (Range 10, Step L) for return processing, since DOR would have to determine where each fuel delivery was made in order to properly figure the sales tax to be deducted from the refund amount. Some invoices may be for fuel delivered at the retail station and others may be for fuel delivered to other locations. DOR would also need to know if the fuel is delivered inside city limits or outside city limits or even if the retail station is inside or outside city limits. This would require a great deal of process time and effort as many refund claims contain hundreds of invoices, which would need to be reviewed individually.

ASSUMPTION (continued)

Tax Amnesty Program Cost

DOR officials stated that based on 2011 estimates, there are approximately 490,000 known taxpayers eligible for amnesty and provided this estimate of amnesty program cost.

* Postage, envelopes and printing
  (490,000 x $.505) = $247,450

* Taxation Division costs

Overtime to review correspondence-	$100,000
Overtime to review errors on returns-	$73,000
Key entry for returns and payments-	$145,000
Customer contacts-	$30,000
Total	$348,000

The department also recommended an advertising budget of at least $400,000. Advertising the amnesty should enhance overall participation in the program. Advertising should also help ensure that individuals and businesses not already in contact with the department about their tax liabilities participate in the program.

In the alternative, the state could contract with a private vendor to administer the amnesty, like several other states, that have achieved very good results. Contracting with a vendor would avoid the direct costs to the department noted above. Vendor payment could be based on a percentage of debts collected.

Oversight assumes that the cost to operate the program with DOR staff would be significantly lower than the cost to contract with a vendor since collection programs normally operate on a percentage-of-collections basis, and DOR staff would still be required to process returns and correspondence and to correct errors on returns. Oversight will indicate a cost in excess of $100,000 in FY 2013 for the amnesty program.

ASSUMPTION (continued)

Administrative impact

DOR officials provided an estimate of the cost to implement this proposal including three additional employees; the total cost including salary, employee benefits, equipment, and expense totaled $1,320,122 for FY 2013, $144,997 for FY 2014, and $146,496 for FY 2015.

Oversight assumes that any additional employee workload would be nominal and could be absorbed with existing resources. If unanticipated costs are incurred or if multiple proposals are implemented which increase the DOR workload, additional resources could be requested through the budget process. Oversight will indicate unknown costs in excess of $100,000 in FY 2012 for the Department of Revenue for the direct costs of the amnesty program.

IT impact

DOR officials provided an estimate of the IT cost to implement the proposal of $213,908 based on 8,072 hours of programming to make changes to DOR systems.

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.

Officials from the **University of Missouri, Economic and Policy Analysis Research Center** (EPARC) assume this proposal would enact a tax amnesty and make several changes to personal income tax provisions.

EPARC officials stated that they were not able to provide estimates for the impact on Missouri Net General Revenue regarding the Tax Amnesty portions of this bill. However, they provided an estimate of the impact of the proposed changes to personal income tax provisions.

The proposal would reduce the number of brackets from ten to two in the following manner:

Taxable Income	Tax Due:
Less than or equal to $9,000	4% of Missouri taxable income
Over $9,000	$360 plus 5.9% of the excess over $9,000

ASSUMPTION (continued)

The proposal would also increase the personal and spouse exemptions from $2,100 to $2,400, increase the dependent exemption from $1,200 to $1,700, and would require taxpayers who file as “Head of Household” on their Federal 1040 to file as “Single” on their Missouri 1040.

The EPARC estimate of net fiscal impact is an increase in individual income tax revenues for Missouri (2010) from a baseline Net Tax Due of $4,481.075 million to an estimated Net Tax Due of $4,504.473 million. This is an increase in Net Tax Due of $23.398 million from the baseline.

Oversight will use the EPARC estimate of fiscal impact for the personal income tax provisions. Oversight notes that these provisions would be effective January 1, 2012 and assumes the first returns using the new provisions would be filed for 2012 in January 2013 (FY 2013).

Sections 52.230-52.240 Mailing date for property tax bills.

Oversight assumes this proposal would have no fiscal impact to the state or to local governments.

Sections 142.815, 144.300 Fuel Tax Exemption for Watercraft

In response to a similar proposal (HB 1310 LR 5240-01) officials from the **Department of Conservation** (MDC) assumed the proposal would exempt motor fuel used in watercraft in this state from the motor fuel tax.

MDC officials assumed the proposal would have an unknown but greater than $100,000 negative fiscal impact on their organization. Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to the Missouri Constitution. Exempting motor fuel used in watercraft in this state from tax will decrease sales tax collected and thus would decrease revenue to the Conservation Sales Tax funds. MDC assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Officials from the **Department of Public Safety** and the **Department of Transportation** assumed a similar proposal (HB 1310 LR 5240-01) would have no fiscal impact on their organizations.

ASSUMPTION (continued)

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assumed a similar proposal (HB 1310 LR 5240-01) would not result in additional costs or savings to their organization.

The proposal would exempt motor fuel used in watercraft from the motor fuel excise tax. This may reduce motor fuel revenues to the extent consumers are not already claiming refunds for such tax from the DOR.

However, since the fuel would no longer be subject to an excise tax, it would be subject to sales tax. This would increase revenues to the General Revenue Fund and the dedicated sales tax funds. However, depending on the retail price of the fuel, the sales tax revenue may be less than or greater than the forgone fuel taxes, so the net revenue impact of this proposal cannot be determined.

Officials from the **Department of Revenue** (DOR) assumed a similar proposal (HB 1310 LR 5240-01) would have no fiscal impact on their organization. DOR officials also provided the following information.

This proposal would reduce motor fuel tax revenues, but some portion of the lost fuel tax would be offset by increased sales tax. No tax would be imposed on motor fuel delivered to a marina or other retailer within this state who sells such fuel solely for use in watercraft in this state.

Motor fuel used for non-highway purposes, which includes marine use fuel, is already exempt from motor fuel tax and a refund may be claimed by the purchaser of the fuel. This proposal would provide a motor fuel tax exemption for fuel sold to marinas or retailers that sell fuel solely for use in watercraft. The proposal should reduce the number of refund claims, because fuel sold to consumers at marinas would no longer have fuel tax applied and the consumer would not have to claim a refund. DOR assumed the distributor or supplier who sells fuel to the marina or retailer would apply for the refund. There are approximately fifteen (15) distributors that sell motor fuel to marinas.

ASSUMPTION (continued)

Currently, each distributor that delivers gasoline to marinas located in counties with a lake that has 100 miles or more of shoreline, files monthly reports which reflect those deliveries. Each year, the Department compares that number of gallons of gasoline claimed by consumers for marine use in each qualifying county to the number of gallons of gasoline delivered to the marinas in that county. The fuel tax on the unclaimed gallons is then refunded to the county. The Department assumes that all distributors would claim a refund on the gallons they deliver to marinas, reducing the amount of unclaimed gallons. The department assumes counties will receive reduced disbursements of fuel tax on unclaimed gallons.

If fuel is not subject to the motor fuel tax, it is subject to sales tax. This proposal would increase sales tax to the state and would increase the sales tax distributions each qualifying county receives under Section 142.827.

In response to a similar proposal in 2011, DOR officials stated that there were 6,315 refund claims for marine fuel usage in FY 2010 which totaled $766,727 and unallocated gallon distributions of $357,217. DOR officials also stated that local sales tax is not assessed on refund claims subject to state sales tax, but a marina or other seller of fuel exempt from the motor fuel tax would be required to collect and remit local sales taxes in addition to the state sales tax.

Oversight assumes that this proposal would reduce but not eliminate motor fuel tax refund claims, and would result in additional sales tax revenues for those state funds which receive sales tax funds and for local governments. In addition, the unallocated motor fuel tax distributions would be eliminated. The FY 2013 impact of eliminating the unclaimed gallon distribution would be ($357,217 X 10/12) = $297,681.

The refund claims of $766,727 would indicate that there were ($766,727/0.17) = 4,510,159 gallons of fuel; state sales taxes would have been calculated on those refunds but local sales tax would not have been assessed. At an average price of $3.00 per gallon, that would indicate sales of (4,510,159 gallons X $3 per gallon) = $13,530,476 and local government sales tax of ($13,530,476 X .025 average rate) = $338,262. Oversight assumes this proposal would be effective for ten months of FY 2013 and the FY 2013 impact would be (10/12 X $338,262) = $281,885.

ASSUMPTION (continued)

The unallocated gallon distributions of $357,217 would indicate that there were ($357,217/0.17) = 2,101,276 gallons of fuel sold; no sales tax would have been assessed on those gallons. At an average price of $3.00 per gallon, that would indicate sales of ($3 X 2,101,276) = $6,303,828. Sales tax on that amount would be as follows:

Fund	Rate	FY 2013 Sales Tax Amount	Annual Sales Tax Amount
General Revenue	.03	$157,596	$189,115
School District Trust	.01	$52,532	$63,038
Conservation Commission	.0125	$6,566	$7,880
Parks, and Soil and Water	.01	$5,253	$6,304
Local governments	.025 (estimated average)	$131,330	$157,596

Oversight notes that the amounts calculated above could vary with future sales of motor fuel for use in watercraft.

Section 144.080 Sales Tax Absorption by Retailer

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

Section 488.305 Circuit Clerk Garnishment Surcharge

Officials from the **Attorney General's Office** assumed that any potential costs arising from a similar proposal (HB 1845 LR 5870-01) could be absorbed with existing resources.

Officials from the **Office of Administration - Budget and Planning** stated that a similar proposal (HB 1845 LR 5870-01) would not result in additional costs or savings to their agency.

Officials from the **Office of the State Courts Administrator** assumed a similar proposal (HB 1845 LR 5870-01) would allow circuit clerks to collect a surcharge not to exceed $10 for processing garnishments.

ASSUMPTION (continued)

Based on data from FY 11, there were approximately 250,212 executions and garnishments on which this surcharge could be applied. We assume all circuit courts would collect a $10.00 surcharge and anticipate the revenue would be approximately $2,502,120 in any given year.

Oversight will indicate additional revenue up to $2.5 million per year for local governments for this provision.

Prohibition on the use of a GPS unit for the imposition of a mileage tax.

Officials from the **Department of Revenue** and the **Department of Transportation** assumed similar provisions in HB 1381 LR 4046-01 would have no fiscal impact on their organizations.

FISCAL IMPACT - State Government	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE FUND			
Revenue reduction - Delayed filing and payment of withholding taxes	(More than $100,000)	(More than $100,000)	(More than $100,000)
Additional revenue - Previous year withholding taxes paid	$0	More than $100,000	More than $100,000
Additional revenue - Sales tax on watercraft fuel	$157,596	$189,115	$189,115
Additional revenue - Department of Revenue - 1% collection fee	Unknown	Unknown	Unknown
Additional revenue - Department of Revenue - Tax amnesty program	More than $100,000	$0	$0
Cost - Department of Revenue - Amnesty program and additional postage	(More than $100,000)	(More than $100,000)	(More than $100,000)

Revenue reduction - Interest, penalties, and additions to tax waived	(Unknown)	$0	$0
Cost - Department of Revenue - Garnishment surcharge	($80,000)	($80,000)	($80,000)
Additional revenue - Streamlined Sales Tax Program *	More than $100,000	More than $100,000	More than $100,000
Revenue reduction - Personal income tax *	(More than $100,000	More than $100,000	More than $100,000
Additional revenue - Department of Revenue - Personal income tax changes	$23,398,000	$23,398,000	$23,398,000
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**More than $23,475,596 to (Unknown)**	**More than $23,507,115 to (Unknown)**	**More than $23,507,115 to (Unknown)**

* offsetting additional revenues and revenue reduction

CONSERVATION COMMISSION FUND			
Additional revenue - Sales tax on watercraft fuel	$6,566	$7,880	$7,880
Additional Revenue - Tax amnesty program	Unknown	Unknown	Unknown
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**More than $6,566**	**More than $7,880**	**More than $7,880**

PARKS, AND SOIL AND WATER FUNDS			
Additional revenue - Sales tax on watercraft fuel	$5,253	$6,304	$6,304
Additional Revenue - Tax amnesty program	Unknown	Unknown	Unknown
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS	**More than $5,253**	**More than $6,304**	**More than $6,304**
SCHOOL DISTRICT TRUST FUND			
Additional revenue - Sales tax on motor fuel	$52,532	$63,038	$63,038
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**$52,532**	**$63,038**	**$63,038**
ROAD FUND			
Revenue - Sales tax on previous refund claims	Unknown	Unknown	Unknown
Revenue reduction - Sales tax on refund claims	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON ROAD FUND	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2013 (10 Mo.)	FY 2014	FY 2015
LOCAL GOVERNMENTS			
Additional revenue - Sales tax on motor fuel from former refund claims	$281,885	$338,262	$338,262
Additional revenue - Sales tax on motor fuel from former unclaimed gallons	$131,330	$157,596	$157,596
Revenue reduction - Unclaimed gallon distribution to counties	($297,681)	($357,217)	($357,217)
Revenue - Surcharge on garnishments	Up to $2,500,000	Up to $2,500,000	Up to $2,500,000
Revenue reduction - Department of Revenue collection fee	(Unknown)	(Unknown)	(Unknown)
Additional Revenue - Streamlined Sales Tax Program *	Unknown	Unknown	Unknown
Revenue reduction - Property tax *	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	**Up to $2,615,534 to (Unknown)**	**Up to $2,638,641 to (Unknown)**	**Up to $2,638,641 to (Unknown)**

* Offsetting additional revenue and revenue reduction.

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses.

FISCAL DESCRIPTION

This proposal would enact a tax amnesty, and would make changes to other tax provisions.

The proposal would require the Director of the Department of Revenue to enter into the multistate Streamlined Sales and Use Tax Agreement and would require the department to establish the necessary rules to implement the compliance provisions of the agreement.

The proposal would also require the state to be represented as a member of the governing board 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 Director of the Department of Revenue or a designee. The delegates would be required to submit an annual report by January 15 on the status of the agreement.

The Department of Revenue would be required to perform all functions regarding the administration, collection, enforcement, and operation of all sales taxes, and would be required to provide electronic databases for tax jurisdiction boundary changes, tax rates, and a taxability matrix detailing taxable property and services.

The proposal would require all state and local sales taxes to have the same base which means that exemptions at the state and local level must be identical. In addition, definitions would be revised for many aspects of business and taxation of sales and services. The Department of Revenue could require any seller to file and remit sales and use taxes electronically.

Certain out-of-state sellers would be allowed an amnesty with respect to 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 the streamlined agreement.

Specifies that all general revenue generated by the agreement that exceeds the revenue that would have been collected without the agreement must be deposited into a newly created Streamlined Sales and Use Tax Agreement Special Fund and appropriated solely to replace revenues lost at the local level from reducing the personal property tax and to replace revenues lost at the state level from reducing the individual income tax rate.

The Department of Revenue would be authorized to retain 1% of any local sales or use taxes collected by the department.

DESCRIPTION (continued)

The proposal includes an amnesty from the assessment or payment of all penalties, additions to tax, and interest on delinquencies of unpaid taxes administered by the department which occurred on or prior to December 31, 2011. A taxpayer must apply for amnesty, file a tax return for each tax period for which amnesty is requested, pay the unpaid taxes in full from August 1, 2012, to October 31, 2012, and agree to comply with state tax laws for the next eight years from the date of the agreement. All new revenues resulting from the tax amnesty program would be deposited into the General Revenue Fund unless otherwise earmarked by the Missouri Constitution.

The state individual income tax rate, beginning January 1, 2012, would be 4% of Missouri taxable income up to and including $9,000 and $360 plus 5.9% of Missouri taxable income income over $9,000.

The proposal would eliminate the head of household filing status for Missouri personal incomce tax as of January 1, 2012. Any taxpayer filing as head of household on his or her federal tax return would file as single on his or her state tax return;

Beginning January 1, 2012, the amount of the personal and spouse exemption would be increased from $2,100 to $2,400 and the amount of the dependency exemption would be increased from 1,200 to $1,700.

Collectors in all counties except for counties with township organization would be required to to mail a statement of all real and tangible personal property tax due to each resident taxpayer at least 30 days before the taxes are delinquent. If the county commission certifies that the tax statement was mailed less than 30 days before the delinquent date and the taxpayer pays within 15 days after the delinquent date, no penalty or interest could be imposed.

County assessors would be required to use the lowest trade-in value published in the October issue of a single nationally recognized motor vehicle valuation guide, as approved by the State Tax Commission in conjunction with the association representing the majority of assessors for personal property tax assessment purposes.

The proposal would authorize an excise tax exemption from motor fuel used exclusively in any watercraft in this state. No tax could be imposed or levied on motor fuel delivered to any marina or other retailer within this state who sells the fuel solely for use in any watercraft in this state.

DESCRIPTION (continued)

Certain employers would be allowed to file an annual withholding tax return.

A seller could advertise that sales tax would be assumed or absorbed in the price of the property sold or the service rendered if the amount of the tax is separately stated on the invoice or receipt.

The owner of an aircraft not owned by an airline company would be required to declare the aircraft to the county assessor for personal property tax purposes by March 1.

The clerk of the circuit court could charge and collect a surcharge of up to $10 in a case where a garnishment is granted.

The proposal would prohibit use of a global positioning system or other technology to monitor the mileage traveled by a motor vehicle on a Missouri road, highway, or street in order to impose any mileage tax.

The provisions regarding the Streamlined Sales and Use Tax Agreement Act would become effective January 1, 2014, and the provisions regarding the tax amnesty program include an emergency clause.

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

SOURCES OF INFORMATION

Office of the State Courts Administrator
Office of the Secretary of State
Office of the Attorney General
Office of Administration
    Office of the Director
    Division of Budget and Planning
Department of Agriculture
Department of Conservation
Department of Economic Development
Department of Elementary and Secondary Education
Department of Insurance, Financial Institutions, and Professional Registration
Department of Natural Resources
Department of Public Safety
Department of Revenue
Department of Transportation
State Tax Commission
Joint Committee on Administrative Rules
University of Missouri
    Economic and Policy Analysis Research Center
St. Louis County
City of Kansas City

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March 28, 2012