COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6275-01
Bill No.: HB 2041
Subject: Tax Credits; Telecommunications; Economic Development
Type: Original
Date: April 20, 2012

Bill Summary: This proposal specifies that certain companies that provide telecommunications infrastructure will be eligible for linked deposit loans and authorizes a tax credit for the cost of Internet broadband equipment.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
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 2013	FY 2014	FY 2015
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 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	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Budget and Planning** (**BAP**) assume this proposal creates a non-refundable, non-transferable tax credit, for an individual or entity, for the purchase price of "new broadband equipment". BAP notes that the definition of this equipment is broad and could include a wide range of consumer and business products. According to the US BEA, consumers nationally spent $91.3 billion on "information processing equipment" in 2011. If 1.8% of this amount was spent in Missouri, this would be an estimated $1.6 billion. This category includes computers and related peripherals, so the amount spent by consumers specifically on broadband equipment may be less. Conversely, this amount does not include purchases by businesses, so the amounts may be higher.

Therefore, a tax credit equivalent to the full purchase price of broadband equipment will reduce General and Total State Revenues by an unknown, likely substantial, amount.

Officials at the **Department of Revenue (DOR)** assume this proposal would require the department to make from changes and programming changes to various tax systems. The IT is estimated with a level of effort valued at $22,260, which is 840 FTE hours. The Personal Tax Division assumes the need for two Temporary employees for key entry of tax returns, one Revenue Processing Technician I per 19,000 errors and one Revenue Processing Technician I per 2,400 pieces of correspondence. Additionally, DOR's Corporate Tax Division assumes the need for one Revenue Processing Technician I per 7,800 errors and one Revenue Processing Technician I per 2,600 pieces of correspondence.

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.

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

ASSUMPTION (continued)

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

FISCAL IMPACT - State Government	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE			
Revenue Reduction - Dept. 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 2013 (10 Mo.)	FY 2014	FY 2015
	$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 a linked deposit loan.

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 31six years after 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 State Treasurer
Public Service Commission

Mickey Wilson, CPA
Director
April 20, 2012

JH:LR:OD