

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0899-02  
Bill No.: HCS for HB 391  
Subject: Business and Commerce; Revenue Department; Tax Credits; Taxation and Revenue - Income  
Type: Original  
Date: March 12, 2013

Bill Summary: This proposal authorizes an income tax credit for certain small businesses who hire a person who is disabled or recently discharged from a correctional facility.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(\$207,121) to (\$10,207,121)	(\$204,700) to (\$10,204,700)	(\$206,861) to (\$10,206,861)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$207,121) to (\$10,207,121)</b>	<b>(\$204,700) to (\$10,204,700)</b>	<b>(\$206,861) to (\$10,206,861)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
General Revenue	5 FTE	5 FTE	5 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>5 FTE</b>	<b>5 FTE</b>	<b>5 FTE</b>

- 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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration - Budget and Planning** assume this proposal provides a tax credit to small businesses that hire qualifying disabled persons or persons recently released from a correctional facility. The aggregate amount of credits available is \$10 million annually. Therefore, this proposal could reduce General and Total State Revenues by this amount.

Officials at the **Department of Revenue (DOR)** assume they would need to make form changes and programming changes to various tax systems. They estimate the IT portion would cost \$22,722 for 840 FTE hours.

DOR's Personal Tax Division will need one Revenue Processing Technician I (\$25,884) per 4,000 credits. DOR's Corporate Tax Division will need one Revenue Processing Technician I (\$25,884) per 6,000 additional tax credit redemptions. DOR's Collections and Tax Assistance Division will need one Revenue Processing Technician I (\$25,884) per 15,000 additional contacts annually on the delinquent tax line and one Revenue Processing Technician I (\$25,884) per 15,000 additional contacts annually to the non-delinquent tax line. Additionally, Collections and Tax Assistance Division will need one Revenue Processing Technician I (\$25,884) per 4,800 additional contacts annual to the field office.

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

Officials at the **Department of Elementary and Secondary Education** assume no impact to the Department. However, tax subsidies reduce the state's tax revenues and decrease the amount of money available for public schools.

Officials at the **Department of Corrections, Joint Committee on Administrative Rules** and the **Missouri Veterans Commission** each assume there is no fiscal impact to their organization 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

ASSUMPTION (continued)

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 establishes a \$10 million annual cap on the tax credit. Oversight will show in the fiscal note \$0 (no credits issued) to the annual \$10 million cap.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>GENERAL REVENUE</b>			
<u>Revenue Reduction</u> - creation of the small business employee tax credit	\$0 to (\$10,000,000)	\$0 to (\$10,000,000)	\$0 to (\$10,000,000)
<u>Cost - Department of Revenue</u>			
Personal Service	(\$107,850)	(\$130,714)	(\$132,021)
Fringe Benefits	(\$54,728)	(\$66,331)	(\$66,994)
Equipment and Expenses	(\$44,543)	(\$7,655)	(\$7,846)
<u>Total Costs - DOR</u>	<u>(\$207,121)</u>	<u>(\$204,700)</u>	<u>(\$206,861)</u>
FTE Change - DOR	5 FTE	5 FTE	5 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(\$207,121) to (\$10,207,121)</u></b>	<b><u>(\$204,700) to (\$10,204,700)</u></b>	<b><u>(\$206,861) to (\$10,206,861)</u></b>
Estimated Net FTE Change on General Revenue	5 FTE	5 FTE	5 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that receive the tax credit could be impacted.

FISCAL DESCRIPTION

Beginning January 1, 2014, this bill authorizes an income tax credit of \$500 for each person a small business hires who is disabled or who has been discharged from a state or federal correctional facility within the 12 months immediately preceding the hiring. The disabled individual, as defined in the bill, must be employed for at least one year with an average of 25 hours per week; and an individual discharged from a correctional facility must work at least one year for an average of 40 hours per week before the small business will be eligible for the credit. The small business will be eligible for the credit for the first three years the individual recently discharged from a correctional facility is employed and for each year the disabled person is employed. The credit will be issued on a first-come, first-served basis and is not refundable or transferable but can be carried forward for three subsequent taxable years. No more than \$10 million of these credits can be issued in any fiscal year.

The provisions of the bill will expire December 31 six 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.

SOURCES OF INFORMATION

Department of Corrections  
Department of Elementary and Secondary Education  
Department of Revenue  
Joint Committee on Administrative Rules  
Missouri Veterans Commission  
Office of Administration  
    Budget and Planning  
Office of the Secretary of State



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Acting Director  
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