

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0951-01
Bill No.: HB 235
Subject: Employees - Employers; Immigration
Type: Original
Date: March 4, 2015

Bill Summary: This proposal changes the laws regarding work authorizations.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(Unknown - More than \$156,573)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue	(Unknown - More than \$156,573)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	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 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Agriculture, Department of Economic Development, Department of Economic Development, Department of Elementary and Secondary Education, Department of Higher Education, Department of Social Services, Department of Insurance, Financial Institutions and Professional Registration, Department of Mental Health, Department of Natural Resources, Department of Corrections, Department of Labor and Industrial Relations, Department of Public Safety (Office of the Director, Capitol Police, Alcohol & Tobacco Control, Fire Safety, Gaming Commission, Missouri Highway Patrol, Missouri National Guard, State Emergency Management Agency and the Veterans Commission) Department of Social Services, Office of the Governor, Joint Committee on Administrative Rules, Joint Committee on Public Employee Retirement, Legislative Research, Missouri Local Government Employees' Retirement System, Missouri Lottery Commission, Missouri Consolidated Health Care Plan, Missouri Department of Conservation, Missouri Ethics Commission, Missouri House of Representatives, Office of the Lieutenant Governor, Department of Transportation, Office of Prosecution Services, MoDOT & Patrol Employees' Retirement System, Office of Administration (Administrative Hearing Commission and Budget and Planning), Office of the State Courts Administrator, Office of the State Auditor, Missouri Senate, Office of the Secretary of State, Office of the State Public Defender, Office of the State Treasurer and the State Tax Commission** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **City of Independence Health Department** assume the proposal will have no fiscal impact on their organization.

Officials from the **City of Columbia** assume there is no fiscal impact associated with hiring, since the City already complies. There could be some fiscal impact, which the City can't quantify, associated with tax deductions and with the potential loss of vendors who are found not to comply with the bill's provisions. When the City loses the capacity to deal with a vendor, there is administrative cost to search for the same or similar product or service and potentially higher or lower costs for the product or service, itself.

ASSUMPTION (continued)

Officials from the **Office of Administration - Division of Budget and Planning (OA)** assume this proposal would allow employers to deduct costs associated with participating in the E-Verify program from their state income or business taxes. While participation in the E-Verify program is free, additional administrative costs for employers could be claimed due to the proposal. OA does not have any means to estimate how many employers might deduct future costs under this proposal.

OA officials assume the proposal also creates a new set of civil penalties for violating the provisions within this proposal. The fines collected from violations of penal laws are deposited into the County School Fund. There is no estimate on the possible increase to this fund since the fines that are collected by the county and municipal court systems may vary.

Officials from the **Attorney General's Office (AGO)** assume this proposal grants the AGO subpoena power for the production of employment records and subsection 4 requires the AGO to bring civil actions and to notify the U.S. Immigration and Customs Enforcement and local law enforcement agencies of the possible presence of an unauthorized alien. While the precise fiscal impact is unknown, the AGO estimates that the proposal would require at least an additional 1 FTE AAG I. The AGO may seek additional appropriations if the workload created by this proposal necessitates additional resources.

Officials from the **Department of Revenue (DOR)** assume this legislation allows any costs incurred by an employer for participating in E-Verify to be deducted from the employer's income or business taxes.

Currently there are approximately 160,000 returns per year with 27,000 error corrections. Based on approximately 180 error codes, the Corporate Tax Division would require an additional Revenue Processing Technician I (Range 10, Step L).

The Personal Tax Division will experience additional correspondence and errors as a result of the new deduction. Personal Tax will require one Revenue Processing Technician I (Range 10, Step L) for every 2,400 pieces of correspondence and one (1) Revenue Processing Technician 1 (Range 10, Step L) for every 19,000 errors.

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the 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.

ASSUMPTION (continued)

Depending on the interpretation of the deduction, this legislation may require sales/use and withholding tax programming changes as well as form changes. This may require changes to the new integrated system to allow for a deduction at a cost of \$156,573.

Oversight assumes that since the E-Verify program is free to use and the penalties are high for not using it, employers will comply with the law and few penalties will be assessed. Since the cost incurred by businesses to use the program is unknown, Oversight will show an unknown loss to the General Revenue fund to reflect potential business entity's income or business tax deductions. Oversight will also use the ITSD cost provided by DOR in FY 2016 only.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Cost</u> - DOR ITSD software and programing cost	(\$156,573)	\$0	\$0
<u>Loss</u> - DOR Income or business tax deductions for participated in the program	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(Unknown - More than \$156,573)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that violate this proposal would be fiscally impacted.

FISCAL DESCRIPTION

This proposal changes the laws regarding work authorizations.

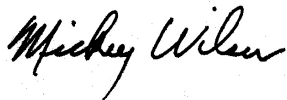
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Attorney General's Office
Department of Agriculture
Department of Economic Development
Department of Elementary and Secondary Education
Department of Higher Education
Department of Social Services
Department of Insurance, Financial Institutions and Professional Registration
Department of Mental Health
Department of Natural Resources
Department of Corrections
Department of Labor and Industrial Relations
Department of Revenue
Department of Public Safety
Department of Public Safety
 Office of the Director
 Capitol Police
 Alcohol & Tobacco Control
 Fire Safety
 Gaming Commission
 Missouri Highway Patrol
 Missouri National Guard
 State Emergency Management Agency
 Veterans Commission
Department of Social Services
Office of the Governor
Joint Committee on Administrative Rules
Joint Committee on Public Employee Retirement
Legislative Research
Missouri Lottery Commission
Missouri Consolidated Health Care Plan
Missouri Department of Conservation

SOURCES OF INFORMATION (continued)

Missouri Ethics Commission
Missouri House of Representatives
Office of the Lieutenant Governor
Department of Transportation
Office of Prosecution Services
Missouri State Employee's Retirement System
MoDOT & Patrol Employees' Retirement System
Office of Administration
Office of Administration
 Administrative Hearing Commission
 Office of Administration - Budget and Planning
Office of the State Courts Administrator
Office of the State Auditor
Missouri Senate
Office of the Secretary of State
Office of the State Public Defender
Office of the State Treasurer
State Tax Commission



Mickey Wilson, CPA
Director
March 4, 2015

Ross Strobe
Assistant Director
March 4, 2015