

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1166-04
Bill No.: SS for HB 384 with SA 2, SA 3, and SA 5
Subject: Taxation and Revenue - General
Type: Original
Date: April 7, 2015

Bill Summary: This proposal would provide a limited period of tax amnesty, allow the Office of Administration and the Department of Revenue to create a debt offset agreement with the federal government, amend the Missouri Taxpayer's Bill of Rights to include a right to fair and consistent application of Missouri tax laws, and create a Study Commission on State Tax Policy.

Amendments to the proposal would allow the Department of Revenue to contract with third party organizations for debt collection and administration of the tax amnesty program, require collections from the tax amnesty program not specifically restricted by the state constitution or state law to be deposited into a Tax Amnesty Fund and used for certain MO Health Net benefits, and replace the current the Office of Taxpayers' Ombudsman with an Office of Taxpayer Advocate.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$6,060,029)	(\$14,972,413)	(\$7,307,908)
Total Estimated Net Effect on General Revenue	(\$6,060,029)	(\$14,972,413)	(\$7,307,908)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 26 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Tax Amnesty *	\$0	\$0	\$0
Conservation Commission	Unknown	\$0	\$0
Parks, and Soil and Water	Unknown	\$0	\$0
Other state	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown	Unknown	Unknown

* Net of revenues and expenditures.

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
General Revenue	0 FTE	11 FTE	11 FTE
Total Estimated Net Effect on FTE	0 FTE	11 FTE	11 FTE

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	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

Section 32.383, RSMo. - Tax Amnesty

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would create an amnesty from accrued penalties and interest on unpaid taxes, if taxes are appropriately filed and paid during a period from July 1, 2015, to September 30, 2015.

BAP officials assume that \$75 million in revenues would be collected, including \$50 million already identified from Department of Revenue (DOR) investigations completed or in process. BAP officials also assumed 84.2% of collections would be General Revenue, based on the results of the amnesty program in FY 2003. BAP officials noted these estimates are based on income and sales tax liabilities; and a small amount of additional funds may be collected if other taxes collected by DOR, such as tobacco taxes, are included in the amnesty.

ASSUMPTION (continued)

BAP officials noted that SA 3 would direct revenues (not otherwise dedicated to a specific fund) to a new state fund, the "Tax Amnesty Fund," and would specify that expenditures from this fund would be restricted to funding adult dental coverage and provider rate reimbursements.

BAP officials stated the amendment would not change the previously reported impact to Total State Revenue or the 18(e) calculation; however, it would change the General Revenue impact, redirecting the additional estimated collections to a dedicated fund and actually reducing General Revenue.

BAP officials noted that even without tax amnesty DOR officials stated they believe they could have collected \$50 million through normal collection processes. Of this \$50 million, \$42.1 million would have been General Revenue. With SA 3, those collections would be deposited into the new Tax Amnesty Fund shorting General Revenue \$11.4 million in 2016, \$19.2 million in 2017, and \$11.5 million in future years as shown below.

BAP officials also assume the proposed amnesty would persuade taxpayers to settle accounts in a more timely fashion than is typical, and note this would create an additional positive cash flow impact in FY 2016, at the expense of payments that would have otherwise been received in later years. The BAP response included this chart of estimated fiscal impact, in millions of dollars.

ASSUMPTION (continued)

Total State Revenue	Total	FY 2016	FY 2017	Subsequent Years
Amnesty collections	\$75.00	\$75.00	\$0.00	\$0.00
Normal collections	(\$50.00)	(\$13.60)	(\$22.80)	(\$13.60)
Difference	\$25.00	\$61.40	(\$22.80)	(\$13.60)
General Revenue	Total	FY 2016	FY 2017	Subsequent Years
Amnesty collections	\$0.00	\$0.00	\$0.00	\$0.00
Normal collections	(\$42.10)	(\$11.40)	(\$19.20)	(\$11.50)
Difference	(\$42.10)	(\$11.40)	(\$19.20)	(\$11.50)
Tax Amnesty				
Amnesty collections	\$63.20	\$63.20	\$0.00	\$0.00
Normal collections	\$0.00	\$0.00	\$0.00	\$0.00
Difference	\$63.20	\$63.20	\$0.00	\$0.00

Oversight notes this proposal would require all collections, other than amounts designated in the constitution or by state law, to be deposited into the Tax Amnesty Fund. Oversight has no information as to the specific other types of taxes that would be collected, or the fund which would receive those collections. Oversight will indicate additional revenues for the state Tax Amnesty Fund of \$63,200,000 for FY 2016 and revenue reductions in the General Revenue Fund of \$11,400,000 for FY 2016, \$19,200,000 for FY 2017, and \$11,500,000 for FY 2018.

Oversight assumes the language of this proposal, as amended, would not result in a revenue reduction to local governments or to state funds other than the General Revenue Fund.

ASSUMPTION (continued)

Oversight will, therefore, indicate unknown additional revenues for the Conservation Commission Fund and the Parks and Soils and Water Funds, which are designated in the state constitution, and for the School District Trust Fund, for other state funds which are designated by state law, and for local governments, for FY 2016.

Officials from the **Department of Revenue (DOR)** noted this legislation would grant amnesty from assessment or payment of penalties, additions to tax, and interest to taxes administered by the Department under chapters 32, 143, 144, and 147 from July 1, 2015 to September 30, 2015. Amnesty would apply to only those tax liabilities due or due but unpaid on or before December 31, 2014. The proposal includes an emergency clause. Other than those revenues earmarked by the Constitution of Missouri or Missouri statutes, collections would be deposited into the "Tax Amnesty Fund".

DOR officials assume this proposal could have a net positive impact on the newly created Tax Amnesty Fund of \$63.2 million and on Total State Revenue in fiscal year 2016 of up to \$72.8 million. DOR officials estimate that \$75 million in total funds (\$63.2 million Tax Amnesty Fund) may be received through amnesty, but \$50 million total funds (\$42.1 million Tax Amnesty Fund) would have been previously identified as outstanding liabilities by the Department. DOR officials also assume that an overwhelming majority of the \$50 million, plus interest and penalties, could be collected without 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 fiscal year 16 and future fiscal years.

As of March 19, 2015, the Department estimated 340,000 taxpayers would be eligible to participate in the amnesty program, and noted that the Department is identifying more non-filers and under-reporters each week for periods that would qualify for amnesty while other previously identified taxpayers are paying their amounts due, the number of eligible taxpayers will change over time.

DOR officials stated this proposal may increase state revenue in fiscal year 2016. Because the legislation includes known tax liabilities, some portion of the increase would reflect acceleration of the collection of liabilities that the Department would otherwise have collected after fiscal year 2016. The legislation would also reduce collection of interest and penalties that would have been paid in fiscal year 2016 and subsequent fiscal years, and may have the same effect on local sales and use tax interest and penalties.

ASSUMPTION (continued)

DOR officials assume the proposal may impact the Department of Elementary and Secondary Education, the Department of Agriculture, and the Department of Health and Senior Services. The Department of Revenue deposits several of the taxes it collects into funds these agencies administer. The proposal could also affect local governments that impose sales or use tax.

Administrative Impact

DOR officials stated there are approximately 340,000 known taxpayers eligible for amnesty, and provided an estimate of cost for this program as follows.

Postage, envelopes and printing

The cost estimate is $340,000 \times \$0.555 = \underline{\underline{\$188,700}}$

Employee overtime

DOR officials estimate the Taxation Division would have costs for temporary employees and overtime for existing staff:

\$79,325 for existing staff to complete correspondence,
\$57,907 for existing staff to complete error corrections,
\$115,022 to key returns and payments, and
\$23,798 for customer contacts.

\$276,052 Total

Advertising

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

DOR officials stated the \$400,000 estimated advertising cost reflects the Department's advertising cost for the most recent previous amnesty, updated for current advertising rates.

ASSUMPTION (continued)

IT cost

DOR officials provided an estimate of IT cost of \$200,229 based on 2,670 hours of contract programming at \$75 per hour in FY 2016 to make changes to DOR systems and \$10,262 based on 137 hours of contract programming in FY 2017 support.

DOR officials stated the tax amnesty program would not be considered as a part of the Department's computer programs for routine processing; rather, it would provide the specific functions required for collecting and processing nonrecurring revenues. In addition, the tax amnesty programming would include the tracking required to implement the extended compliance requirement for amnesty recipients.

DOR officials stated the proposed tax amnesty to could delay implementation of the Integrated Revenue System project to 2018 but did not provide an estimate of additional cost.

Oversight will assume for fiscal note purposes any delay in the Integrated System Project would not be directly related to this proposal and will not include any cost for that delay in this fiscal note.

ASSUMPTION (continued)

The DOR estimate of cost to implement the program is summarized in the following table.

Category	FY 2016	FY 2017
Overtime and temporary employees	\$276,052	\$0
Benefits	\$143,561	\$0
IT contractors	\$200,229	\$10,272
Letters	\$9,425	\$0
Envelopes	\$15,080	\$0
Postage	\$184,730	\$0
Advertising	<u>\$400,000</u>	<u>\$0</u>
Totals	<u>\$1,229,077</u>	<u>\$10,272</u>

ASSUMPTION (continued)

As shown below, **Oversight** will adjust the benefit rate to 25.55% per OA budget guidelines; otherwise, Oversight assumes the DOR estimate of cost to implement the tax amnesty program is the best available cost estimate and will use it in this fiscal note.

Category	FY 2016	FY 2017
Overtime and temporary employees	\$276,052	\$0
Benefits	\$70,531	\$0
IT contractors	\$200,229	\$10,272
Letters	\$9,425	\$0
Envelopes	\$15,080	\$0
Postage	\$184,730	\$0
Advertising	<u>\$400,000</u>	<u>\$0</u>
Totals	<u>\$1,156,047</u>	<u>\$10,272</u>

Officials from the **Department of Transportation (MoDOT)** assumed a previous version of this proposal would have a negative unknown impact on their organization from the forgiveness of a certain portion of tax debt for the sales tax paid on titling of motor vehicles. MoDOT officials stated the fiscal impact is unknown as MoDOT does not have data to analyze how many taxpayers would apply for amnesty associated with sales tax on motor vehicles and how many taxpayers would be granted the amnesty.

Officials from the **Department of Conservation (MDC)** assume this proposal would have an unknown positive fiscal impact greater than \$100,000 to the Department related to the amnesty program.

ASSUMPTION (continued)

MDC officials noted the Conservation Sales Tax funds result from a sales tax pursuant to the Missouri Constitution, and assume a portion of sales tax collected through the amnesty program could be deposited to the Conservation Fund. MDC officials assume the Department of Revenue would be better able to estimate the anticipated fiscal impact for this proposal.

Officials from the **Department of Natural Resources (DNR)** noted this proposal would authorize an amnesty from the assessment or payment of all penalties, additions to tax, and interest on delinquencies of unpaid taxes administered by the Department of Revenue which occurred on or prior to December 31, 2014. DNR officials assume the Department of Revenue and the Office of Administration - Division of Budget and Planning will provide a more detailed estimate of the potential fiscal impact for the program.

Section 32.385, RSMo. - Federal Debt Offset Program:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would allow the State of Missouri to establish a reciprocal agreement to offset federal vendor payments for any state debt and to offset state tax refunds and state vendor payments to the federal government. Based on information provided by the Department of Revenue, BAP officials estimated this proposal would bring in an additional \$7 million in FY 2016, \$5.1 million in FY 2017, and \$5 million in FY 2018. BAP officials noted because this is money already owed to the state, Total State Revenues would increase by the amount collected; however, there would be no impact to the calculation required under Section 18(e) of the state constitution.

Officials from the **Office of Administration - Information Technology Services Division (ITSD)** assume this proposal would require computer programming services to develop and implement processing systems for the Office of Administration, the Department of Revenue, and the Department of Social Services. ITSD officials provided the following cost estimates based on the current \$75 statewide contract rate for programming services.

	<u>Hours</u>	<u>Cost</u>
Office of Administration	481	\$36,043
Department of Revenue	5,714	\$428,571
Department of Social Services	525	\$39,399
Total		<u>\$503,982</u>

ASSUMPTION (continued)

In addition, ITSD officials assumed there would be an annual maintenance cost for the Department of Revenue system of \$46,162 in FY 2017, \$47,316 in FY 2018 and similar cost in following years.

Oversight will include the ITSD estimates of cost in this fiscal note.

Officials from the **Department of Social Services (DOSS)** assume this proposal would add a new state statute section 32.385, authorizing the Director of Revenue and Commissioner of Administration to jointly enter into a reciprocal collection and debt offset agreement with the federal government.

Under the reciprocal agreement:

The Department of Revenue could offset state income tax refunds and payments due state vendors to collect non-tax debts owed to the federal government.

The federal government, if authority exists under federal law, could offset payments due federal vendors, contractors and taxpayers to collect debts owed to any Missouri state agency. The reciprocal agreement would allow the federal government to retain a portion of the proceeds of any collection offset on the state's behalf.

The proposal would also add a Section 32.385.8 which would authorize the Director of Revenue and the Commissioner of Administration to enter into similar reciprocal agreements with other states to collect debts owed to state agencies.

Children's Division (CD)

CD officials assume if the Department of Revenue and the Office of Administration join into a reciprocal agreement with the federal government, this proposal would authorize the Children's Division to withhold payments from vendors and contractors, which could include foster parents, other licensed and contracted service providers, and possibly adoption subsidy recipients, to offset any delinquent tax or nontax debt owed to the federal or state government.

ASSUMPTION (continued)

CD officials note there is an existing process within the CD financial system to intercept payments for debt of CD related services only. CD officials assume this bill could increase the mechanisms for recovery of CD debt if non-CD related vendor payments are subject to interception. CD officials assume the level of funds recouped would not to impact their organization.

Division of Financial and Accounting Services (DFAS)

DFAS officials also noted there is an existing process to intercept state payments to vendors that the Department of Revenue has determined owe delinquent taxes. DFAS officials assume this or a similar process would be used to capture state payments owed to the federal government or state agencies.

DFAS officials also stated that payments generated from DSS systems may be subject to interception, and noted DSS has a process to intercept payments made from DSS systems which could be expanded to comply with this legislation. DFAS officials deferred to Children's Division, Family Support Division, and MO HealthNet Division officials to determine if there would be an impact with payments outside of the state accounting system.

Family Services (FSD)

FSD officials noted their organization currently collects past-due child support through a state income tax refund offset, and assume authorizing DOR to enter into agreements with the Federal government and other states for state tax offset could reduce FSD child support collections made for families through state income tax refund offset by increasing the number of non-child support debts competing for state offset.

FSD officials assume that, absent a state law change or administrative rule giving offset priority to child support debts, an increase in the number of non-child support debts certified for offset would reduce child support collections. FSD officials also noted their organization collected \$2,481,879 from state income tax refunds in FY 2014 - of this amount, \$201,845 was collected on TANF cases. DFAS officials noted the state share (34%) of this amount is \$68,627 (\$201,845 x 34%) and stated their organization is not able to predict how many debts would be competing for state offset. DFAS officials assume the potential impact to Child Support Enforcement Collections (CSEC) fund revenues is \$0 to \$68,627.

ASSUMPTION (continued)

Oversight assumes this proposal would not result in a significant reduction of delinquent Child Support collections or a reduction in Child Support Enforcement Collections revenues.

FSD officials noted the provision allowing the federal government to offset payments due federal vendors, contractors and taxpayers to collect debts owed to any Missouri state agency would not impact the FSD child support program because federal law gives federal offset priority to child support debts.

FSD officials stated that state child support agencies currently have authority to refer child support debts to another state child support agency for state income tax refund offset. However, this proposal could reduce FSD child support collections made through state income tax refund offset by increasing the number of non-child support debts competing for state offset.

Mo HealthNet Division (MHD)

MHD officials assume the money collected by the offset would be collected by the Department of Revenue and would go into the General Revenue Fund therefore there would not be a fiscal impact to MO HealthNet.

Division of Legal Services (DLS)

DLS officials do not anticipate a fiscal impact on their division, and defer to the analyses by the program divisions as to the potential fiscal impact upon the department. Further, given the broader powers of the Department of Revenue to collect debts owed to the State, DLS officials assume the proposal would vastly improve the Department's ability to collect debts owed to it by citizens. DLS officials also assume their department would be one of the bigger beneficiaries from this program in that it would vastly improve the collection of Medicaid and Food Stamps overpayments.

Division of Youth Services (DYS)

DYS officials assume there would be no fiscal impact to their organization from this proposal.

ASSUMPTION (continued)

Officials from the **Department of Revenue** did not provide an estimate of collections for this proposal but assumed their organization would have additional mailing costs as a result of this program.

Oversight assumes the offset program would result in an increase in DOR mailing costs but does not have any information to estimate the fiscal impact. For fiscal note purposes, Oversight will assume the additional cost would be minimal and could be absorbed with existing resources. If significant unanticipated costs are incurred or if multiple proposals are implemented which increase DOR costs, resources could be requested through the budget process.

In response to similar language in HB 1223 LR 2482-01, **DOR** officials assumed the proposal would have no fiscal impact on their organization but would increase state revenues up to \$7 million in FY 2016, \$5.1 million in FY 2017, and \$5 million in FY 2018.

Oversight assumes the DOR estimate of collections for this program is the best available and will include those amounts in this fiscal note. Oversight also assumes there could be unknown additional collections for other state funds and local governments, and will include those collections in this fiscal note.

Section 136.375, RSMo. - Fair and Consistent Application Requirement:

This provision would codify the requirement for Missouri taxpayers to have the right to fair and consistent application of Missouri tax laws by the Department of Revenue.

Officials from the **Office of Administration - Division of Budget and Planning** assume this provision would have no fiscal impact on Total State Revenue or the calculation required under Section 18(e) of the state constitution.

Officials from the **Department of Revenue** assume this provision would have no impact on their organization.

Oversight assumes this provision would not have a specific fiscal impact.

ASSUMPTION (continued)

Section 136.450, RSMo. - Study Commission on Tax Policy:

Officials from the **Office of Administration - Office of the Commissioner (OA)** noted this provision would create a Commission on State Tax Policy. The commission would be composed of the sitting members of the Joint Committee on Tax Policy, the Director of the Department of Revenue, and the State Budget Director, as well as members of the public who have expertise in the field of taxation.

OA officials noted their organization may be required to provide staff support to the commission, and members who are not state employees would be reimbursed for any expenses incurred in serving on the commission. OA officials also assumed ten non-state employees would be reimbursed for their costs to attend 27 commission meetings.

OA officials provided the following estimate of cost for the commission.

Lodging - (\$83 average cost x 10 members x 27 meetings) =	\$22,410
Meals - (Average \$30 per day x 10 members x 27 meetings) =	\$8,100
Mileage - (Average 240 miles round trip x 10 members x 27 meetings x \$0.37 per mile) =	<u>\$23,976</u>
Total	<u>\$54,486</u>

The OA response for this provision included costs for members travel, lodging, and meals of \$45,405 for FY 2016, \$55,848 for FY 2017, and \$57,245 for FY 2018.

Officials from the **Office of Administration - Division of Budget and Planning** assume this provision would have no fiscal impact on Total State Revenue or the calculation required under Section 18(e) of the state constitution.

Officials from the **Department of Revenue (DOR)** noted the Director of Revenue would be a member of the proposed commission but did not indicate any other specific impact from the proposal.

Oversight assumes DOR could absorb any cost involved with the Department Director's membership on the proposed commission.

ASSUMPTION (continued)

Oversight notes this provision does not include a specific date for the commission to be activated; however, the proposal would require the commission to prepare a preliminary report for the Governor and General Assembly by December 31, 2016 (FY 2017) and a final report by December 31, 2017 (FY 2018). The commission would be inactive after January 1, 2018, and the provision would expire August 31, 2018.

Accordingly, Oversight will include costs for the commission in FY 2017 and FY 2018. If the OA estimated total costs are split evenly between FY 2017 and FY 2018, OA would make payments of $(\$54,486 / 2) = \$27,243$ per year.

Although officials from the **Office of the Governor** and the **Missouri Senate** did not respond to this proposal due to time limitations, officials from these organizations assumed a previous version of this proposal would have no fiscal impact on their organizations.

Bill as a whole responses

Officials from the **Office of the Secretary of State (SOS)** stated 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 greater than 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.

ASSUMPTION (continued)

Officials from the **Office of the Lieutenant Governor**, the **Office of the State Treasurer**, the **Office of Administration - Division of Accounting**, the **Department of Agriculture**, and the **Department of Labor and Industrial Relations** assume this proposal would have no fiscal impact on their organizations.

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

Officials from the **Department of Transportation** deferred to the Department of Revenue for an estimate of the fiscal impact of this proposal.

Senate Amendment 2

Section 32.383.8 and 32.383.9, RSMo. - Third Party Collection Agency:

This amendment would allow the Department of Revenue to contract with a third-party vendor for the collection of eligible delinquent tax liabilities and to assist with the administration of the Tax Amnesty Program. The vendor could be paid contingency and other fees could be paid out of the revenues from the Tax Amnesty Program.

Oversight notes this provision would allow but not require the Department of Revenue to contract with a private agency for the operation of a part of the amnesty program. Oversight assumes the Department of Revenue would base their decision whether to contract for services or assign employees to those services on their assessment of the best net revenue prospects for the Tax Amnesty Program.

Officials from the **Office of Administration - Division of Budget and Planning** assume this provision would have no fiscal impact on Total State Revenue or the calculation required under Section 18(e) of the state constitution.

Oversight assumes this provision would allow but not require the Department of Revenue to contract for services and would have no impact for fiscal note purposes.

Senate Amendment 3

Section 32.383, RSMO. - Tax Amnesty Fund

This amendment would require all collections, other than amounts designated in the constitution or by state law, to be deposited into the Tax Amnesty Fund. Expenditures from that fund would be restricted to funding adult dental coverage and provider rate reimbursements by the MO Health Net Division of the Department of Social Services.

Oversight notes that the Department of Revenue and Office of Administration responses were prepared including this amendment.

Senate Amendment 5 - Office of Taxpayer Advocate

Officials from the **Office of Administration - Division of Budget and Planning** assume this provision would have no fiscal impact on Total State Revenue or the calculation required under Section 18(e) of the state constitution.

Officials from the **Department of Revenue (DOR)** assume this provision would replace the current Office of Taxpayer's Ombudsman with a newly created the Office of Taxpayer Advocate.

DOR officials assume the following personnel would be required:

- 1 Taxpayer Advocate
- 1 Executive I:
- 1 Legal Counsel:
- 4 Accountant II:
- 4 Taxpayer Service Representatives II:

DOR officials assume an Accountant and a Taxpayer Service Representative would be needed for each tax type (individual income, corporate income, sales, and other) to effectively communicate with taxpayers regarding tax questions and issues.

Staff Training

OA officials assume the Department of Revenue would provide training each year on Missouri tax law with an estimated first-year cost of \$1,2080 each, for 11 staff.

ASSUMPTION (continued)

In summary, the **DOR** response for this provision included costs for employee salaries, benefits, and expense and equipment of \$727,567 for FY 2016, \$796,092 for FY 2017, and \$803,970 for FY 2018.

Oversight considers the DOR estimate of staffing requirements the best available estimate of the cost to implement this proposal and will use the estimates as adjusted. Oversight has, for fiscal note purposes only, changed the starting salary for the additional employees to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted the estimate of equipment and expense in accordance with OA budget guidelines.

Oversight also notes the proposal could become effective in August, 2015 (FY 2016) but costs for the program would first be included in the FY 2017 budget; Oversight will include DOR costs for this provision for FY 2017 and FY 2018 in this fiscal note.

DOR officials stated the Ombudsman currently has additional responsibilities for the Department as well as serving as the ombudsman, and the elimination of the ombudsman responsibilities would not result in savings to their organization.

Oversight assumes there would be minimal savings to DOR from eliminating the position, beginning in August 2015 (FY 2016) and will not include those savings in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2016	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Additional Revenue</u>			
Reciprocal debt collections			
Section 32.385	\$7,000,000	\$5,100,000	\$5,000,000
<u>Cost - OA - ITSD</u>			
Reciprocal debt collections systems			
Section 32.385	(\$503,982)	(\$46,162)	(\$47,316)
<u>Cost - DOR</u>			
Tax amnesty program			
Section 32.383	(\$1,156,047)	(\$10,272)	\$0
<u>Revenue reduction</u>			
Tax amnesty program - proceeds going to the Tax Amnesty Fund			
Section 32.383	(\$11,400,000)	(\$19,200,000)	(\$11,500,000)
<u>Cost - DOR</u>			
Office of Taxpayer Advocate			
Section 37.650			
Personal service	\$0	(\$467,251)	(\$471,923)
Benefits	\$0	(\$238,321)	(\$240,705)
Expense and equipment	\$0	(\$83,164)	(\$20,721)
Total cost	\$0	(\$788,736)	(\$733,349)
FTE change - DOR	0 FTE	11 FTE	11 FTE
<u>Cost - Office of Administration</u>			
Study Commission on State Tax Policy			
Section 136.450	\$0	(\$27,243)	(\$27,243)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$6,060,029)</u>	<u>(\$14,972,413)</u>	<u>(\$7,307,908)</u>
Estimated Net FTE Effect on General Revenue Fund	0 FTE	11 FTE	11 FTE

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2016	FY 2017	FY 2018
TAX AMNESTY FUND			
<u>Additional revenue</u> - tax amnesty			
Section 32.383	\$63,200,000	\$0	\$0
<u>Additional expenditures</u> - DOSS			
Section 32.383	<u>(\$63,200,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON TAX AMNESTY FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
CONSERVATION COMMISSION FUND			
<u>Additional revenue</u> - tax amnesty			
Section 32.383	<u>Unknown</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>Unknown</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - State Government FY 2016 FY 2017 FY 2018
 (Continued)

PARKS, AND SOIL AND WATER FUNDS

Additional revenue - tax amnesty
 Section 32.383 Unknown \$0 \$0

ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER **Unknown** **\$0** **\$0**

OTHER STATE FUNDS

Additional revenue - tax amnesty
 Section 32.383 Unknown \$0 \$0

Additional revenue - reciprocal debt collections
 Section 32.385 Unknown Unknown Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS **Unknown** **Unknown** **Unknown**

FISCAL IMPACT - Local Government FY 2016 FY 2017 FY 2018

LOCAL GOVERNMENTS

Additional revenue - tax amnesty
 Section 32.383 Unknown \$0 \$0

Additional revenue - reciprocal debt collections Unknown Unknown Unknown

ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS **Unknown** **Unknown** **Unknown**

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to a small businesses which qualified for the tax amnesty. Other provisions could have a direct fiscal impact on small businesses and their owners.

FISCAL DESCRIPTION

Tax Amnesty

This proposal would authorize an amnesty from the assessment or payment of penalties, additions to tax, and interest on delinquencies of unpaid taxes administered by the Department of Revenue which occurred on or prior to December 31, 2014. A taxpayer would be required to apply for amnesty; pay the unpaid taxes in full between July 1, 2015, and September 30, 2015, and agree to comply with state tax laws for the next eight years from the date of the agreement.

If a taxpayer is granted amnesty, he or she would not be eligible to participate in any future amnesty for the same type of tax. All tax payments received from the tax amnesty program would be deposited into a Tax Amnesty Fund unless otherwise earmarked by state constitution or state law, and could only be spent for certain MO HealthNet programs. The proposal includes an emergency clause.

Reciprocal Debt Offset

The proposed legislation would authorize the Department of Revenue and the Office of Administration to enter into collection and debt offset agreements with the United States government, and with other states.

Third Party Debt Collection Agencies

The proposal would authorize the Department of Revenue to contract with third party organizations for debt collection and administration of the tax amnesty program

Taxpayer's Bill of Rights

The proposal would amend the Missouri Taxpayer's Bill of Rights to include a right to fair and consistent application of Missouri tax laws.

FISCAL DESCRIPTION (continued)

Study Commission on State Tax Policy

The proposal would create a Study Commission on State Tax Policy.

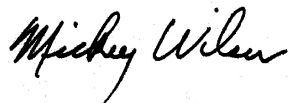
Office of Taxpayer's Advocate

The proposal would replace the current the Office of Taxpayers' Ombudsman with an Office of Taxpayer Advocate.

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 Governor
Office of the Lieutenant Governor
Office of the Secretary of State
Office of the State Treasurer
Missouri Senate
Joint Committee on Administrative Rules
Office of Administration
 Office of the Commissioner
 Division of Accounting
 Division of Budget and Planning
 Information Technology Services Division
Department of Agriculture
Department of Conservation
Department of Higher Education
Department of Labor and Industrial Relations
Department of Natural Resources
Department of Revenue
Department of Social Services
Department of Transportation



Mickey Wilson, CPA
Director
April 7, 2015

Ross Strope
Assistant Director
April 7, 2015