

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1399-01  
Bill No.: HB 520  
Subject: Science and Technology; Education, Higher; Higher Education Department;  
 Economic Development Department  
Type: Original  
Date: February 2, 2015

**Bill Summary:** This proposal creates a tax credit for an employer that hires a student majoring in the field of science, technology, engineering, or mathematics for an internship.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	\$0 to (\$50,000)	\$0 to (\$50,000)	\$0 to (\$50,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 to (\$50,000)</b>	<b>\$0 to (\$50,000)</b>	<b>\$0 to (\$50,000)</b>

**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.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Science, Technology, Engineering & Mathematics*	\$0	\$0	\$0
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Transfers In and expenses net to zero.

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 2016</b>	<b>FY 2017</b>	<b>FY 2018</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 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Economic Development (DED)** assume §173.670 allows any taxpayer who hires a student intern majoring in science, technology, engineering, or mathematics to elect to reserve up to \$5,000 of the taxpayer's state tax liability and the reserve will be placed in the science, technology, engineering and mathematics fund. The cumulative amount that can be transferred into the fund is \$50,000.

§620.3030 creates the Economic-Education partnership act which also allows any taxpayer who hires a student intern majoring in science, technology, engineering, or mathematics as an intern to elect to reserve up to \$5,000 of the taxpayer's state tax liability and the reserve will be placed in the science, technology, engineering and mathematics fund. The cumulative amount that can be transferred into the fund is \$50,000.

DED is responsible for auditing the employers who participate in the program and DED requests 1 FTE, an Economic Development Specialist II, to help create rules, review applications, and perform audits.

Due to the minimal number of employers who would participate in this program, **Oversight** assumes DED could absorb this cost with existing resources.

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal provides a process whereby a qualifying taxpayer that hires a qualifying intern may apply to the Department of Higher Education to have up to \$5,000 of their tax liability removed from the General Revenue fund and placed in the Science, Technology, Engineering and Mathematics fund, which may subsequently be appropriated to a higher education institution. The annual limit on funds that may be moved from the General Revenue Fund under this proposal is \$50,000. This proposal will have no direct impact on Total State Revenues; but, to the extent appropriations are made to the new fund, this could reduce resources otherwise available for other appropriations.

Officials at the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** assume an unknown reduction of premium tax revenue as a result of the creation of the "Missouri Science, Technology, Engineering and Mathematics Initiative" tax credit is possible. 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 throughout the state. County Stock Funds are later distributed to the school

ASSUMPTION (continued)

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 need to add this new tax credit to the premium tax database. This will require 56 hours at \$75 an hour for a total of \$4,212.

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

In response to similar legislation from last year (HB 2038), officials at the **Department of Higher Education** assume they would need 1/3 of an FTE to be in charge of reviewing applications to have individuals' tax liability removed from General Revenue and placed in the new fund.

**Oversight** assumes the Department of Higher Education could absorb the work of this proposal with existing resources.

In response to similar legislation from last year (HB 2038), the **Office of State Treasurer** and the **Joint Committee on Administrative Rules** each assumed there was no fiscal impact to their respective organizations from this proposal.

Officials at the **Department of Revenue** assume no fiscal impact 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 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

ASSUMPTION (continued)

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 allows for the transfer out of General Revenue and into the Science, Technology, Engineering and Mathematics Fund of a taxpayers' tax liability if they hire an intern. Oversight will reflect the loss to General Revenue of \$0 (no money is transferred) to \$50,000 the annual limit allowed under these programs. Oversight assumes all money received in the STEM fund will be spent according to this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2016	FY 2017	FY 2018
	(10 Mo.)		

**GENERAL REVENUE**

<u>Transfer Out-</u> to STEM Fund: taxpayers tax liability transferred for hiring an intern or provides educational benefits (§§173.670 & 620.3030)	<u>\$0 to (\$50,000)</u>	<u>\$0 to (\$50,000)</u>	<u>\$0 to (\$50,000)</u>
---	--------------------------	--------------------------	--------------------------

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0 to (\$50,000)</u></b>	<b><u>\$0 to (\$50,000)</u></b>	<b><u>\$0 to (\$50,000)</u></b>
--	---------------------------------	---------------------------------	---------------------------------

**SCIENCE, TECHNOLOGY, ENGINEERING & MATHEMATICS FUND**

<u>Transfer In</u> - from General Revenue - taxpayers' tax liability for hiring an intern	\$0 to \$50,000	\$0 to \$50,000	\$0 to \$50,000
---	-----------------	-----------------	-----------------

<u>Cost</u> - matching funds for higher education institution programs	<u>\$0 to (\$50,000)</u>	<u>\$0 to (\$50,000)</u>	<u>\$0 to (\$50,000)</u>
--	--------------------------	--------------------------	--------------------------

<b>ESTIMATED NET EFFECT ON SCIENCE, TECHNOLOGY, ENGINEERING &amp; MATHEMATICS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
---	-------------------	-------------------	-------------------

**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.**

<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

No direct fiscal impact to small businesses would be expected as a result of this proposal.

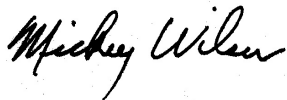
FISCAL DESCRIPTION

This proposal creates a tax credit for an employer that hires a student majoring in the field of science, technology, engineering, or mathematics for an internship.

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 Administration's Division of Budget and Planning  
Department of Economic Development  
Department of Insurance, Financial Institutions, and Professional Registration  
Office of the Secretary of State  
Department of Revenue  
Joint Committee on Administrative Rules  
Office of State Treasurer  
Department of Higher Education



Mickey Wilson, CPA  
Director  
February 2, 2015

Ross Strope  
Assistant Director  
February 2, 2015