

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4373-03  
Bill No.: HCS for SB 873  
Subject: Education, Higher; Tax Incentives  
Type: Original  
Date: May 6, 2016

**Bill Summary:** This proposal creates the Missouri Science, Technology, Engineering, and Mathematics Initiative

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Science, Technology, Engineering, and Mathematics	\$0 to \$50,000	\$0 to \$50,000	\$0 to \$50,000
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0 to \$50,000</b>	<b>\$0 to \$50,000</b>	<b>\$0 to \$50,000</b>

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</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 2017</b>	<b>FY 2018</b>	<b>FY 2019</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 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Higher Education (DHE)** assume this legislation directly affects Total State Revenue by allowing up to \$50,000 annually, of tax revenue be reallocated from General Revenue to the Science, Technology, Engineering, and Mathematics Fund.

DHE would be in charge of reviewing applications to have individuals' tax liability removed from General Revenue and placed in the Science, Technology, Engineering, and Mathematics Fund (§173.670.6 and §620.3030.3). This would require the promulgation of rules to determine how an applicant would be selected, which could be handled with existing staff, and the addition of 2/3 FTE to handle the continuous influx of applications for the two new programs.

Since the bill does not create a one-time study or program, the MDHE would need to add 2/3 FTE. Aside from the impact on the department, the bill would also provide additional resources to fund STEM subjects, thereby increasing the exposure to and interest for students.

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

In response to a previous version, officials at the **Department of Revenue (DOR)** assumed the legislation authorizes an employer to retain an employee's withholding tax for five years if the employee graduates with a science, technology, engineering, or mathematics degree from a Missouri Innovation Campus after April 30, 2017. The qualified individual receives full credit for the amount of tax withheld as provided in §143.211. DOR assumes that a form will be needed that allows the employer to report retained withholdings and DOR will need to track the amount of withholdings retained.

Withholding tax requires one (1) Revenue Processing Technician I to track the amount of withholdings retained.

**Oversight** assumes the duties outlined in this proposal can be handled by current staff. Should DOR see an increase in responsibilities, they can seek that FTE through the appropriation process.

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume 173.670 of this proposal provides a process whereby a qualifying taxpayer that hires a qualifying intern may apply to have up to \$5,000 of their tax liability transferred from the General Revenue Fund to the Science, Technology, Engineering and Mathematics (STEM) Fund, which may subsequently be appropriated to public higher education institutions. The annual limit on funds that may be moved from General Revenue under this proposal is \$50,000. This proposal will

ASSUMPTION (continued)

have no direct impact on Total State Revenues; however, General Revenue may be reduced by up to \$50,000 annually.

620.3030 of this proposal provides that employers who provide educational benefits or training to a qualified individual for an employment position in health care, engineering, or information technology fields for no more than one year may apply to have up to \$5,000 of their tax liability transferred from the General Revenue Fund to the Science, Technology, Engineering and Mathematics (STEM) Fund, which may subsequently be appropriated to public higher education institutions. The annual limit on funds that may be moved from General Revenue under this proposal is \$50,000. This proposal will have no direct impact on Total State Revenue; however, General Revenue may be reduced by up to \$50,000 annually.

In response to a previous version, officials at the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** assumed 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 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.

The department will require minimal contract computer programming to add the 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 at the **Department of Economic Development** and the **Joint Committee on Administrative Rules** each assume no fiscal impact from this proposal to their respective organizations.

In response to similar legislation filed this year (HB 1640), officials at the **Office of the State Treasurer** assumed no fiscal impact from this proposal to their organization.

In response to a previous version, officials from the **Office of the Secretary of State (SOS)** stated many bills considered by the General Assembly include provisions allowing or requiring

ASSUMPTION (continued)

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.

**Oversight** assumes §173.670 & §620.3030 of 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.

**Oversight** assumes §620.2605 of this proposal allows for any employer that has partnered with an innovation campus and hires an individual that has graduated from an innovation campus to retain up to 100% of the qualified individual's withholding tax for up to five years. Oversight will reflect the loss to General Revenue as \$0 (no withholding tax is retained) to the estimates provided by BAP.

FISCAL IMPACT - State  
Government

FY 2017  
 (10 Mo.)                      FY 2018                      FY 2019

**GENERAL REVENUE**

Transfer Out - to STEM fund -  
 taxpayer tax liability transferred  
 for hiring an intern or providing  
 educational benefits  
 §173.670 & §620.3030

\$0 to (\$50,000)                      \$0 to (\$50,000)                      \$0 to (\$50,000)

**ESTIMATED NET EFFECT  
 ON GENERAL REVENUE**

**\$0 to (\$50,000)**                      **\$0 to (\$50,000)**                      **\$0 to (\$50,000)**

**SCIENCE, TECHNOLOGY,  
 ENGINEERING AND  
 MATHEMATICS FUND**

Transfer In - from General  
 Revenue - taxpayers' tax liability  
 for hiring an intern

\$0 to \$50,000                      \$0 to \$50,000                      \$0 to \$50,000

**ESTIMATED NET EFFECT  
 ON SCIENCE,  
 TECHNOLOGY,  
 ENGINEERING AND  
 MATHEMATICS FUND**

**\$0 to \$50,000**                      **\$0 to \$50,000**                      **\$0 to \$50,000**

**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 2017  
 (10 Mo.)                      FY 2018                      FY 2019

**\$0**                                      **\$0**                                      **\$0**

FISCAL IMPACT - Small Business

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

### FISCAL DESCRIPTION

The bill authorizes any taxpayer who hires a student majoring in science, technology, engineering, or mathematics at a Missouri public or private two-year or four-year college to fill an internship position in one of those fields for at least 15 hours a week for at least 12 weeks to apply to have up to \$5,000 of the taxpayer's state tax liability removed from the General Revenue Fund and placed in the Science, Technology, Engineering and Mathematics Fund. The Department of Higher Education must establish a procedure for approving applications, and the total amount of tax transferred annually cannot exceed \$50,000 for all participating taxpayers. Any donations to the fund from third parties will not count toward the \$50,000 limit.

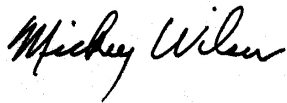
The bill establishes the Economic-Education Partnership Act. An employer with facilities in Missouri that provides educational benefits to a qualified individual or trains a qualified individual for an employment position in one of the specified fields, can apply to have up to \$5,000 of the taxpayer's state tax liability transferred from the General Revenue Fund and placed in the Science, Technology, Engineering and Mathematics Fund. Training must be in the health care, engineering, or information technology fields for no more than one year. "Education benefits" are defined as the funds provided by an employer to a qualified individual or to an accredited educational institution for a period of up to five years to pay any portion of the tuition or fees for an employee who is a resident of Missouri to pursue an advanced certificate or an associates, bachelors, masters, or doctorate degree in health care, engineering, or information technology related programs. The department must establish a procedure for approving applications, and the total amount of tax transferred annually cannot exceed \$50,000 for all participating taxpayers. The department may audit employers to ensure compliance with these provisions.

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

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SOURCES OF INFORMATION

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



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