

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5230-03
Bill No.: SS for HB 1858
Subject: Economic Development, Tax Incentives, Political Subdivisions, Taxation and Revenue - Property, Taxation and Revenue - General
Type: Original
Date: April 25, 2018

Bill Summary: This proposal modifies provisions relating to the Department of Revenue.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(\$2,715,000)	(\$2,695,000)	(\$2,695,000)
Total Estimated Net Effect on General Revenue	(\$2,715,000)	(\$2,695,000)	(\$2,695,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§32.069 and §143.811 DOR's Interest Paid

In response to the similar legislation filed this year, HB 2165, officials at the **Office of Administration Division of Budget and Planning (B&P)** assumed this would change the interest calculation for refunds that are not refunded within 45 days. Currently, interest is calculated under Section 32.068. Beginning on January 1, 2019, this proposal would change the calculation reflect the methodology in Section 32.065. During FY 2016, the interest rate under Section 32.068 was 0.6% while the interest rate under Section 32.065 was 4.0%.

Section 143.811 would require all interest of less than one dollar to be paid on refunds that are not refunded within the 45-day allowance.

Based on information provided by DOR, there was \$339,000 in interest payments during FY 2016. In addition, another \$116,000 in interest payments of less than one dollar each, could have been paid in FY 2016. Therefore, B&P estimates that in FY 2016 there was a total of \$455,000 (\$339,000 + \$116,000) in interest at the average interest rate of 0.6%. Based on these numbers, B&P estimates that a 4.0% interest rate would have created total interest payments of \$3,034,000 in FY 2016. Therefore, B&P estimates that this proposal will reduce Total State Revenue and General Revenue by \$2,695,000 (\$3,034,000 - \$339,000) annually, beginning in FY 2019.

Officials at the **Department of Revenue (DOR)** assume this proposed legislation could potentially affect Total State Revenue.

Section 32.069 states that any interest owed on an overpayment that has not yet been issued after 45 days shall now be calculated using Section 32.065 not Section 32.068. In FY 2016, using Section 32.068 to calculate interest on delinquent refunds, which was a 0.6%, Total State Revenue was decreased by \$339,163.66.

Section 143.811 removes the provision that states "No interest shall be allowed or paid if the amount thereof is less than one dollar." Removing this language from Section 143.811 could have potentially decreased Total State Revenue by an estimated \$116,000 in FY 2016.

Subsequently, the Department believes that total FY 2016 refund interest was an estimated \$455,163.

Using Section 32.065, which would be 4%, total interest paid on delinquent refunds in FY 2016 would have been \$3,034,424.40. The Department estimates that implementation of this proposed

ASSUMPTION (continued)

legislation could potentially decrease Total State Revenue by an estimated \$2,695,260.74 each fiscal year.

Officials at the **Office of the State Treasurer** assume there is no fiscal impact from this proposal.

§32.310 DOR Special Taxing Districts on Website

Officials at the **DOR** assumed this proposed legislation requires the Department to feature a map of all the special taxing districts on its website. ITSD costs would consist of \$20,000 (266 hours x \$75 per hour) to complete and create the proposed jurisdictional map. Creating the functionality of the product could potentially take a few months to develop depending on complexity of the requests.

Officials at **St. Louis County** assume there is no fiscal impact from this proposal.

Officials at **Boone County** responded but did not indicate a fiscal impact.

Officials at the **Wellsville-Middletown R-I School District** assume no impact unless they are asked to pay for development of the website.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo)	FY 2020	FY 2021
GENERAL REVENUE			
<u>Cost</u> - DOR change in the interest rate paid from the current .06% to 4.0% §32.069 & §143.811	(\$2,695,000)	(\$2,695,000)	(\$2,695,000)
<u>Cost</u> - DOR computer upgrades §32.310	(\$20,000)	\$0	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$2,715,000)</u>	<u>(\$2,695,000)</u>	<u>(\$2,695,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo)	FY 2020	FY 2021
<u>FISCAL IMPACT - Small Business</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

FISCAL DESCRIPTION

Beginning January 1, 2019, this bill requires interest on a tax overpayment be paid after 45 days at the same rate of interest as the rate imposed for an underpayment of income tax and removes the provision exempting interest on amounts of less than \$1.

This bill directs the Department of Revenue to create an online mapping feature whereby the taxing information of political subdivisions and special taxing districts will be made readily available. The mapping feature will display the geographical boundaries of such political subdivisions and taxing districts, and shall have the option of superimposing those boundaries on Missouri House of Representative and Senate districts. The department may contract with a third party to maintain the mapping feature. The department shall implement the mapping feature by July 1, 2019.

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

Boone County
Department of Revenue
Office of Administration Division of Budget and Planning
Office of the State Treasurer
St. Louis County
Wellsville-Middletown R-I School District

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope", with a stylized flourish at the end.

Acting Director
April 25, 2018