

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3709H.09C
 Bill No.: HCS for SS for SCS for SB 931
 Subject: Taxation and Revenue - General; Taxation and Revenue - Income; Corporations;
 Campaign Finance
 Type: Original
 Date: May 11, 2022

Bill Summary: This proposal modifies provisions relating to businesses.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | | |
|--|---|---|---|---|
| FUND AFFECTED | FY 2023 | FY 2024 | FY 2025 | Fully Implemented (FY 2028) |
| General Revenue* | Less than \$4,978,199 to (Unknown) | Less than \$4,764,659 to (Unknown) | Less than \$5,020,015 to (Unknown) | Less than \$5,079,188 to (Unknown) |
| Total Estimated Net Effect on General Revenue | Less than \$4,978,199 to (Unknown) | Less than \$4,764,659 to (Unknown) | Less than \$5,020,015 to (Unknown) | Less than \$5,079,188 to (Unknown) |

*The HCS places a sunset clause on the Self Employed Health Insurance Tax Credit (\$143.119) of December 31, 2028. The 3 year average redemption amount is \$9,527,623.

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | | |
|--|-------------------------------|-------------------------------|-----------------------------------|-----------------------------------|
| FUND AFFECTED | FY 2023 | FY 2024 | FY 2025 | Fully Implemented (FY 2028) |
| Missouri Disaster Fund (0663)* | \$0 | \$0 | \$0 | \$0 |
| Legal Expense Fund (0692)* | \$0 | \$0 | \$0 | \$0 |
| Technology Trust Fund | \$180 | \$216 | \$224,032 | \$274,525 |
| Other State Funds | \$0 or (Unknown) | \$0 or (Unknown) | \$0 or (Unknown) | \$0 or (Unknown) |
| Total Estimated Net Effect on Other State Funds | \$180 or (Unknown) | \$216 or (Unknown) | \$224,032 or (Unknown) | \$274,525 or (Unknown) |

*Transfer-in and expenses net to zero.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | | |
|---|-------------------------|-------------------------|-------------------------|------------------------------------|
| FUND AFFECTED | FY 2023 | FY 2024 | FY 2025 | Fully Implemented (FY 2028) |
| | | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |

Numbers within parentheses: () indicate costs or losses.

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | | |
|---|----------------|----------------|----------------|------------------------------------|
| FUND AFFECTED | FY 2023 | FY 2024 | FY 2025 | Fully Implemented (FY 2028) |
| General Revenue | 2 FTE | 2 FTE | 2 FTE | 2 FTE |
| Total Estimated Net Effect on FTE | 2 FTE | 2 FTE | 2 FTE | 2 FTE |

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|------------------|------------------|------------------|
| FUND AFFECTED | FY 2023 | FY 2024 | FY 2025 |
| Local Government | (Unknown) | (Unknown) | (Unknown) |

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek approval to publish a new fiscal note.

Section 44.032 – Flood Control

In response to a similar proposal, officials from the **Department of Public Safety - State Emergency Management Agency (SEMA)** stated there will be a fiscal impact in regard to §44.032 that could require a substantial amount of General Revenue. While there has been ongoing discussions regarding obligation of funds for the “Missouri Disaster Fund”, there is currently no General Revenue obligated to the fund.

SEMA states that Missouri just received a new Major Presidential Disaster Declaration, FEMA-4636-DR-MO, for severe storms and tornadoes that occurred on December 10, 2021. The declaration is for seven counties and has eight applicants. Seven of the eight applicants are Rural Electric Coops (REC’s). FEMA has estimated the disaster damages for DR 4636 at \$27.3 million. All of the \$27.3 million in estimated damages belong to the REC’s with the exception of \$63,000, which is road and debris damage in Reynolds County.

SEMA states the HCS would allow the REC’s, per statute, to receive state general revenue funds from SEMA for damages incurred due to storm events during response/recovery efforts. If the storm event became a federally declared disaster, it is possible that SEMA could receive reimbursement from FEMA at a 75% federal cost share with the state paying the 25% non-federal cost share. If the storm event did not meet the criteria to be a federally declared event, the state would have to pay the full 100% out of state general revenue with no avenue for reimbursement.

Oversight assumes, based on SEMA’s response, that General Revenue funds will be used to cover expenses under §44.032. Oversight will reflect a \$0 to (Unknown, Greater than \$250,000) impact to General Revenue and will assume that expenses to the Missouri Disaster Fund will equal the amount transferred in from General Revenue and net to zero. Oversight notes as of February 2022, the balance in the Missouri Disaster Fund is \$638,477.

In response to a similar proposal, officials from the **Department of Commerce and Insurance**, the **Department of Economic Development**, the **Department of Natural Resources**, the **Missouri Department of Conservation**, the **Missouri Department of Transportation**, the **Office of Administration**, the **Hughesville Water/Wastewater**, the **Little Blue Valley Sewer**

District, the Metropolitan St. Louis Sewer District, the South River Drainage District, the Wayne County PWSD #2, and the Hancock Street Light District each assume the proposal will have no fiscal impact on their respective organizations.

In response to a similar proposal, officials from **Morgan County PWSD #2** responded to the legislation but did not provide a fiscal impact. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Section 64.008, 65.710, 71.990 & 89.500 Home Based Businesses

In response to similar legislation, (SCS for SB 809), officials from the **Office of Administration, the Office of the Governor, Attorney General's Office, Department of Social Services, the Department of Revenue, the Department of Commerce and Insurance, the Department of Corrections, the Department of Public Safety (Fire Safety, Director's Office, Gaming Commission, National Guard, Highway Patrol, State Emergency Management), the Department of Economic Development, the Missouri Department of Transportation, Missouri Ethics Commission, the Joint Committee on Public Employee Retirement, the Department of Mental Health, the MODOT – Patrol Employees' Retirement System, the Missouri House of Representatives, the Missouri Senate, the Joint Committee on Education, the Legislative Research, the Oversight Division, the Missouri Lottery, the Missouri Consolidated Health Care Plan, the Missouri Office of Prosecution Services, the Missouri State Employee's Retirement System, the State Tax Commission, the Office of the State Treasurer, the Missouri State University, the University of Central Missouri, the Missouri University System, the City of Kansas, the City of O'Fallon, and the City of Claycomo** each assumed the provision will have no fiscal impact on their organizations. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact in the fiscal note for above organizations for these sections.

In response to similar legislation from 2022, (Perfected HB 2593), officials from the **City of Kansas City** assume this provision could have a negative fiscal impact on the City in lost revenue from business license fees or taxes.

In response to similar legislation from 2019, HCS for HB 473, officials from the **City of St. Louis** assume municipalities will no longer be able to require a person to apply for, register for, or obtain any permit, license, variance, or other type of prior approval to operate a no-impact home-based business. The City currently issues business licenses for said businesses, which would be prohibited under the proposed legislation. With an annual cost of \$25, licenses for home businesses generated \$12,467 in 2018 and this amount would no longer be collected. The City will also have to modify its ordinances to comply with the new legislation. The new legislation would also seriously affect the Building Division's ability to regulate problem uses in residential areas.

In response to similar legislation from 2019, HCS for HB 473, officials from the **City of Osage Beach** assumed costs may increase as additional investigations will result from citizen

complaints about neighborhood activity, or to ensure that such home based business is in compliance with the permitted uses under this bill, especially sections 3 and 4. The City anticipates up to 10 inspections per year for 4 hours of work at \$30 per hour for a total cost of \$1,200.

In response to similar legislation from 2019, HCS for HB 473, officials from the **City of Liberty** assumed this provision would not allow cities to limit home based businesses, specifically the number of people who can be on the residential “Home Based Business” property at one time. It seems that as long as the products being sold are not illegal or considered “bad”, the only limiting factor would be on-site parking. This is problematic as the City has many large lot residential properties who could create a parking lot to accommodate a retail location. This provision also removes a City’s authority to require sprinkler systems for these homes that will now be able to be used in a commercial manner. By not allowing cities to require a business license will remove the City’s ability to regulate these businesses to ensure the safety and welfare of their citizens.

Oversight assumes there could be additional investigations done by local political subdivisions as a result of this provision. However, Oversight is unclear on the number of inspections and cost that could be incurred. Therefore, **Oversight** will reflect an unknown amount of lost permit/license revenue and/or inspection costs that could exceed the municipalities’ numbers for local political subdivisions from this provision.

In response to similar legislation, (Perfectd HB 2593), officials from the **Attorney General’s Office**, the **Department of Economic Development** and the **Department of Revenue** each assumed the provision will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies for this section.

In response to similar legislation, (Perfectd HB 2593), officials from the **City of Springfield** assumed the provision will have no fiscal impact on their organization.

In response to similar legislation, (Perfectd HB 2593), officials from the **Department of Commerce and Insurance**, the **Department of Natural Resources**, the **Department of Public Safety’s Office of the Director**, the **Department of Health and Senior Services**, the **Department of Revenue**, the **Joint Committee on Administrative Rules**, the **City of Claycomo**, the **City of O’Fallon** and the **Newton County Health Department** each assumed the provision will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact in the fiscal note for these agencies for this section.

Section 105.1500 – Personal Privacy Protection Act

In response to similar legislation from 2022 (SCS HCS HB 2120), officials from the **Office of the Secretary of State (SOS)** assumed 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 \$5,000. 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 require additional resources.

Oversight assumes subsection 105.1500.5 of this proposal would allow causes of action against various public agencies throughout the state. If the state is found liable, there may be additional payouts from the State Legal Expense Fund. Oversight assumes an annual fiscal impact from \$0 (no such civil actions brought against the state) to an unknown amount - not likely to exceed \$250,000 – of civil damages payouts.

Therefore, **Oversight** will assume the net fiscal impact to the Legal Expense Fund will be \$0 due to transfers in from General Revenue, Federal Funds, and Other State Funds from various state agencies to offset judgements against the state.

Section 130.029 LLC Political Contributions

In response to a previous version, officials from **Office of Administration - Budget and Planning (B&P)** note this section would allow limited liability companies (LLCs) to make political contributions. Section 130.029.4(2) requires LLCs be operational for at least one year prior any contributions and to file a form with the Missouri Ethics Commission.

B&P notes this provision will not impact TSR or the calculation under Article X, Section 18(e).

Officials from the **Department of Revenue (DOR)** note this provision allows a limited liability company that is not classified as a corporation, to make contributions to any candidate committee. This will not have a fiscal impact on the Department.

Oversight notes officials from the Department of Revenue and the Office of Administration - Budget and Planning both assume this provision will have no fiscal impact on state and local funds. **Oversight** does not have any information to the contrary.

Section 135.800, 135.802, 135.805, 135.810, 135.815, 135.825 – Tax Credit Accountability Act;

Officials from the **Department of Revenue (DOR)** assume the tax credit accountability act requires that recipients of certain tax credits file an annual report declaring information about the holder of the tax credit as well as certain number of jobs created by the projects. DOR is to assess a penalty against each recipient that fails to file the reports as required. The penalties for failing to file are currently steep and several taxpayers end up owing more in penalties than in the credit received.

The tax credit accountability act is being modified to help the taxpayer understand their responsibilities for reporting and to make the reporting easier. This proposal will require that every applicant under TCAA sign a statement affirming that they are aware of the reporting requirements of section 135.805 and the penalty provisions of section 135.810. DOR assumes the creation and distribution of this acknowledgment to the tax credit administering agencies would not have a fiscal impact. However, DOR officials hope it will help less taxpayers owe the fees for non-compliance.

This proposal is clarifying that this annual filing requirement is on June 30th and is for the first three years after the issuance of the credits. It requires the name of each tax credit recipient and amount of tax credits issued shall be made available for public inspection. These requirements may be satisfied by making such information available to the public through the Department of Economic Development's website or the Missouri accountability portal.

This proposal modifies the penalty provisions. This proposal provides that thirty days after the annual report is past due, the administering agency shall send notice by either registered or certified mail to the last known address of the entity obligated to complete the report. Three months after the annual report is past due, the agency shall notify the department of revenue of any taxpayer subject to penalties. The payment of penalties under this section shall be due as of the filing date of the taxpayer's next income tax return. If not required to file, it shall be due as of the next April 15. The director of revenue shall prepare forms and rules to allow the reporting and satisfaction of liability for such penalties and for valuable consideration, may enter into agreements to compromise or abate some or all of the penalty amount. Any nonpayment of liability for penalties by the due date under this section shall be subject to the same provision of law as a liability for unpaid income tax including underpayment interest provisions but excluding income tax penalties and addition to tax provisions.

The Department assumes this changes can be made using DOR's existing resources.

In response to similar proposals, officials from the **Office of Administration – Budget & Planning** assumed this section rearranges and changes certain definitions as follows:

Section 135.800 – Tax Credit Accountability Act

Section 135.800.2(5) removes the Health Care Access Fund tax credit from the list of domestic and social tax credits. B&P notes that the Health Care Access Fund tax credit has never been implemented.

Section 135.800.2(5) also adds the Health, hunger and hygiene tax credit to the definition of domestic and social tax credits.

Section 135.800.2(10) changes the definition of “recipient” to clarify that a recipient is not a person or entity that receives a transferred tax credit.

Section 135.802 – Tax Credit Application Requirement:

Section 135.802.1(5) requires that created jobs must be the direct result of project under consideration.

Section 135.800.10 would allow DED to require additional information from applicants.

Section 135.800.12 would require an applicant to sign a statement acknowledging the tax credit reporting requirements and penalty for failure to file the annual reports.

Section 135.805 – Annual Tax Credit Reports –

This section would remove the annual reporting exemption currently in place for recipients of environmental tax credits. B&P notes there are currently no active environmental tax credits (charcoal producer tax credit, wood energy tax credit, and alternative fuel stations tax credit).

Section 135.805 requires the annual report to include the number of jobs directly created by the project.

This section would also require the annual reports to include projected and actual project costs and completion time. B&P notes that currently the annual reports only require projected or actual information, but not both.

This section also removes the requirement that the first annual report not be due until June 30th one year after the tax credits were issued. However, this proposal would shorten the grace period from one year to one month after the tax credits are issued.

| Tax Credit Issued | Current Law | Proposal |
|-------------------|---------------|---------------|
| May 30, 2023 | June 30, 2024 | June 30, 2023 |
| June 1, 2023 | June 30, 2024 | June 30, 2024 |

Section 135.805.13 would allow administering agencies to publish relevant tax credit reporting data on either DED’s website or the Missouri Accountability Portal.

Section 135.810 – Failure to File Annual Tax Credit Report

This section would change the timing and penalties for individuals and entities that do not file a required annual tax credit report.

This proposal would make the following changes to the TCAA reporting penalties:

| Reporting Penalty | Current Law | Proposed |
|-------------------|---|--|
| Failure to File | 6 – 11 months – 2% per month (max 12%) | 1 st report, 3 months and up – 1% per month (max 10%) |
| | 12 months and up – 10% per month (max 100%) | 2 nd report, 3 months and up– 1.5% per month (max 20%) |
| | | 3 rd report, 3 months and up – 1.5% per month (max 20%) |
| Fraud | 100% | 200% |

Based on information provided by DOR, on average, 58 taxpayers per year fail to file the required TCAA reports for at least two years. DOR only issues a notice of deficiency after the maximum penalty has accrued over two years. For example: a taxpayer is required to file a TCAA report in 2018, but fails to submit such report. DOR would not send a notice of deficiency (NOD) until June 2021 when the maximum 100% penalty has been met. The following table shows the number of deficiency notices that have been sent each year from 2015 through 2018.

| Year TCAA Report Covers | Year TCAA Report Due | Year NOD Issued | Number of NOD reports |
|-------------------------|----------------------|-----------------|-----------------------|
| 2015 | 2016 | 2018 | 36 |
| 2016 | 2017 | 2019 | 47 |
| 2017 | 2018 | 2020 | 83 |
| 2018 | 2019 | 2021 | 67 |

From 2018 through 2020, DOR collected between \$42,391 and \$305,870 a year in failure to report penalties. These penalties go to general revenue. The following table shows the amount collected per TCAA report year:

| Year TCAA Report Covers | Year TCAA Report Due | Year NOD Issued | Collected as of 9/20/2021 |
|-------------------------|----------------------|-----------------|---------------------------|
| 2015 | 2016 | 2018 | \$81,539 |
| 2016 | 2017 | 2019 | \$305,870 |
| 2017 | 2018 | 2020 | \$42,391 |
| 2018 | 2019 | 2021 | \$0 |

However, this proposal would not eliminate the TCAA failure to file penalty, it would only reduce the maximum penalty from 100% to 20% for each of the three required reports. Therefore, B&P estimates that this proposal could reduce penalty collections by \$33,913 to \$244,696 per year beginning in FY24.

| TCAA Report Year | Current Penalty | Proposed Penalty | Loss in Penalty Revenue |
|------------------|-----------------|------------------|-------------------------|
| 2015 | \$81,539 | \$16,308 | (\$65,231) |
| 2016 | \$305,870 | \$61,174 | (\$244,696) |
| 2017 | \$42,391 | \$8,478 | (\$33,913) |

Oversight notes that Section 135.810 – Failure to File Annual Tax Credit Report shortens the amount of time the claimant has to file annual report and reduces the amount of penalties. Additionally, the proposal increases fraud penalties from 100% to 200% of the tax credits issued. B&P assumes that there would be a loss in Penalties Revenue due to the reduction of the maximum penalties from 100% to 20%. Oversight notes the three average loss in penalty revenue is shown in the table below:

| TCAA Report Year | Current Penalty | Proposed Penalty | Loss in Penalty Revenue |
|------------------|-----------------|------------------|-------------------------|
| 2015 | \$81,539 | \$16,308 | (\$65,231) |
| 2016 | \$305,870 | \$61,174 | (\$244,696) |
| 2017 | \$42,391 | \$8,478 | (\$33,913) |
| Average | | | (\$114,613) |

Oversight assumes the loss of penalty revenues is unknown, but could exceed \$114,613 as shown above.

Section 143.081- tax credit for S-Corporation shareholders

In response to similar proposals, officials from **Office of Administration - Budget and Planning (B&P)** noted this provision would grant a tax credit for S-Corporation shareholders for income earned outside of Missouri, if the income earned out of state is not subject to income taxes in the state in which it was earned. The tax credit shall be equal to the shareholders proportion of Missouri income tax owed on such out of state S-Corporation income. This credit would begin on August 28, 2022. Since this is before the end of the 2022 tax year, B&P assumes that the credit would be available for taxpayers filing their annual 2022 tax returns.

B&P notes that shareholders are already allowed a resident income tax credit if income earned out of state is subject to another state's income tax. B&P further notes that this would essentially eliminate the Missouri tax on all out of state income earned by any S-Corporation, if that income is not subject to any other state's income tax.

Based on information provided by DOR, for tax year 2018 fewer than 1% of S-Corporations claimed out-of-state income. However, B&P was unable to determine how much of such S-Corporations income was derived from out-state-sources and how much of that income came from other states that do not levy an income tax. Therefore, B&P estimates that this provision will have an unknown negative impact on TSR and GR beginning in FY23.

Officials from the **Department of Revenue (DOR)** note this provision would allow a resident shareholder in an S-Corp to be eligible for a credit issued pursuant to this section in an amount equal to the shareholder's pro rata share of any income tax imposed pursuant to Chapter 143 on income derived from sources in another state of the United States, or a political subdivision thereof, or the District of Columbia, and which is subject to tax pursuant to Chapter 143 but is not subject to tax in such other jurisdiction.

S-Corps are required to file a MO-1120S (S-Corporation Income Tax Return) with the Department of Revenue annually. One of the questions on the form requires S-Corps to disclose if any of the income they receive is from sources other than those located in Missouri. Of the 87,907 S-Corps that completed the 2018 MO-1120S form less than 1% indicated income outside Missouri.

The Department is unable to estimate the amount of the income that was reported as out of the state. Additionally, the Department cannot determine if any of that income is from jurisdictions that do not tax. The Department assumes an unknown impact that could exceed \$250,000 annually.

No administrative fiscal impact is expected to the Department from this provision.

Oversight is unable to estimate the amount of out of state income reported. Therefore, **Oversight** will show a negative unknown impact that could exceed \$250,000 annually for this section.

Section 143.114 Employee Stock Ownership

In response to similar legislation from 2016 (HB 2030), officials from the **Missouri Department of Revenue (DOR)** stated they are unable to determine the exact amount of capital gains that may qualify for the deduction provided in this provision but have assumed 1% of net capital gains reported by both individual and corporate income taxpayers will qualify. DOR states that based upon the 1% assumption, individual income tax revenue will be reduced by approximately

\$1,100,000 annually and corporate income tax revenue will be reduced by approximately \$9,200,000.

In response to similar legislation from 2022 (HCS for SS for SB 807), officials from the **Department of Revenue (DOR)** assume this provision extends the sunset date on the employee stock ownership deduction. The Department notes that from 2017-2020 (the last most complete year of data) only \$722,342 was claimed under this deduction. It should be noted that no one claimed this credit in 2017, 17 people claimed it in 2018 and less than 10 claimed it in each of 2019 & 2020. If extended this would result in an unknown loss to general revenue.

Oversight is unable to estimate the amount to be claimed under this deduction if the sunset date were extended. Therefore, **Oversight** will show a negative unknown impact for this provision.

Officials from the **Office of Administration - Budget and Planning (B&P)** stated the provision defines taxpayer to include corporations, but only allows for a deduction from a taxpayer's Federal adjusted gross income, and further states corporations have taxable income rather than adjusted gross income. B&P used a 1% of capital gains reported to estimate the fiscal impact. Based upon the 1% assumption, B&P estimates this provision would reduce Total State Revenue by \$1.1 million in FY 2018 and thereafter if it applies only to individual taxpayers.

B&P assumed there is no mechanism that would allow corporations to take this deduction.

Section 143.119 Self-Employed Health Insurance Tax Credit

Officials from the **DOR** notes this proposal modifies the existing self-employed health insurance tax credit program. The purpose of the Self-Employed Health Insurance tax credit was to provide persons who may not otherwise be able to purchase health insurance a credit to help offset the cost of the insurance. This credit is currently refundable. This credit is not limited to Missouri residents or taxpayers with a Missouri tax liability. The following has been distributed to non-residents with no Missouri taxable income:

CY 2021 so far 485 total returns filed claiming \$483,794
CY 2020 850 total returns filed claiming \$947,611
CY 2019 748 total returns filed claiming \$953,114
CY 2018 617 total returns filed claiming \$720,514

This proposal modifies the existing tax credit program to ensure only those with a Missouri tax liability will get this credit. It also makes it non-refundable. It also adds sunset language similar to the other tax credits.

Currently there is a deduction allowed to be taken under Section 143.113 for these same self-employed health insurance expenses. This proposal would limit a person to either the tax credit or the deduction.

It is expected that these changes would result in a savings to the state of greater than \$873,746 annually.

This proposal will require the Department to update its MO-SHC form and the individual income tax filing system. These costs are estimated at \$3,596.

Oversight assumes DOR could absorb these costs within current appropriation amounts.

In response to similar proposals, officials from the **B&P** assumed this section would limit the self-employed tax credit to individuals with a Missouri income tax liability of \$3,000 or less. In addition, the credit is changed from refundable to non-refundable, non-transferable, and cannot be carried forward or back to any other tax year.

In addition, no individual can claim both this tax credit and the tax deduction under Section 143.113 in the same tax year. Based on data provided by DOR, 92% of taxpayers claim both the self-employed health insurance tax credit and the self-employed health insurance tax deduction each year.

Subdivision 3 would sunset the tax credit, unless reapproved, on December 31, 2028. Therefore, unless reapproved, tax year 2028 would be the last year that this credit could be claimed.

B&P notes that currently non-Missouri residents with no Missouri income tax liability are able to apply for the refundable self-employed health insurance tax credit. B&P further notes that under this provision, such individuals would still be able to apply for the credit (as their Missouri tax liability would be less than \$3,000). However, this proposal also makes the credit non-refundable. Therefore, non-Missouri residents with no Missouri tax liability would no longer benefit from the tax credit.

Per DOR, an average 9,940 taxpayers claim the self-employed health insurance tax credit each year with average yearly credit redemptions of \$8,869,960. Based on additional DOR data, prohibiting the credit for non-Missouri residents and Missouri residents with an income tax liability greater than \$3,000 would lower the number of taxpayers eligible for this credit by approximately 66.7% each year.

Preventing non-Missouri residents, with no Missouri income tax liability, would reduce tax credit redemptions by up to \$900,000 per year. Disallowing the credit for Missouri residents with an income tax liability greater than \$3,000 would further reduce redemptions by approximately \$5,586,511 per year. B&P is unable to determine the amount of additional savings from making the credit non-refundable, but it could be a substantial amount of the remaining eligible credits (up to \$2,383,449).

B&P notes that this provision would begin August 28, 2022, during tax year 2022. B&P assumes that because this language would take effect before taxpayers file their 2022 tax returns, this provision would impact tax year 2022.

Therefore, B&P estimates that this provision could increase TSR and GR by up to \$8,869,960 annually beginning in FY23. B&P estimates that this proposal could increase TSR and GR by up to \$8,869,960 in FY23. Once fully implemented, this proposal could increase TSR and GR by up to \$8,836,047 to \$8,625,264 annually.

| Provision | FY23 | | FY24 | | | |
|---|-------|-------------|-------------|-------------|-------------|-------------|
| | Low | High | Low | High | | |
| TCAA Reporting Penalties | \$0 | \$0 | (\$33,913) | (\$244,696) | | |
| Self-Employed Health Insurance Tax Credit | Up to | \$8,869,960 | Up to | \$8,869,960 | | |
| Total GR Impact | Up to | \$8,869,960 | \$8,869,960 | Up to | \$8,836,047 | \$8,625,264 |

Oversight agrees with the DOR and B&P and the overall projection of impact for non-Missouri residents, with no Missouri income tax liability, and will show reduced tax credit redemptions that could be less than or exceed \$900,000 per year for purpose of this fiscal note.

Oversight will also show additional reduction of tax credit redemptions for taxpayers who would now not qualify for the credit (Missouri residents with an income tax liability greater than \$3,000). **Oversight** assumes the savings in tax credit redemptions is unknown however is estimated at \$5,942,873 as shown in table below. **Oversight** assumes this savings in tax credit redemptions could exceed the amount estimated given that those with higher income tax liability likely represent a larger portion of the total redemption amount and are now excluded.

| | | |
|---|-----------|-------------------------|
| Total Redemption | \$ | 8,869,960.00 |
| Total Self-employed Filers | | 9940 |
| Average credit | \$ | 892.35 |
| Calculation of average credit | | \$8,869,960 /9940 |
| Over 3,000 liability (67.7%) | | 6660 |
| | | 9940*67.7 |
| Less than \$3,000 liability | | 3280 |
| | | 9940*33.3 |
| Over \$3,000 Liability | \$ | 5,942,873.20 |
| Less than \$3,000 liability | \$ | 2,927,086.80 |
| | | |
| Out of State | | \$900,000 |
| | | |
| Lesser or Could exceed | \$ | 6,842,873.20 |
| Calculation of impact for taxpayer over 3,000 liability (residents and non-residents) | | \$900,000 + \$5,942,873 |

Oversight notes that the taxpayers with liability less than \$3,000 have a choice to claim either Self-Employed Health Insurance Tax Credit, as specified in Section 143.119, or Self-Employed Health Insurance Tax Deduction each year but not both. Oversight assume there are estimated 3,280 self-employed filers (with total amount of possible redemption totaling to \$2,927,087) in State of Missouri with such a liability. However, Oversight is not able to estimate the actual impact for this group due to the complexity (as shown in table below) of the individual selection of either tax liability choice proposed in this legislation. Therefore, Oversight will note Unknown amount of the savings to GR for this specific group.

Oversight notes this substitute provides a sunset clause for this section, expiring December 31, 2028 (FY 2029)

Officials from the **Department of Economic Development** and the **Missouri Department of Agriculture** both assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for above organizations for this section.

Section 143.436 "SALT Parity Act"

In response to a previous version, officials from the **Office of Administration - Budget and Planning (B&P)** stated this proposal would allow pass-through businesses (LLCs, partnerships, sole proprietorships, and S-corporations) to file their Missouri income tax at the entity level, rather than the individual level starting with tax year 2023. B&P notes that the election to complete an entity level tax return shall be made on a voluntary year-by-year basis.

B&P notes that the purpose of this bill is to allow businesses to fully deduct their state and local taxes (SALT) at the federal level, while minimizing the impact to states that pass this or similar language. Under the Tax Cut and Jobs Act (TCJA, 2017) individuals cannot claim a SALT deduction greater than \$10,000, while businesses can claim their full SALT expenses. This has created a significant federal tax increase for pass-through businesses whose SALT deduction is greater than the \$10,000 cap x the number of pass-through members. For example:

- Business A consists of 4 members and has a total SALT liability of \$20,000
 - Business A would not be impacted by the individual SALT limitation as the combined SALT limit for the 4 members would be \$40,000 (4 members x \$10,000 per member cap).
 - Business A would likely not choose to file taxes at the entity level under this proposal.
- Business B consists of 4 members and has a total SALT liability of \$80,000
 - Business B would be impacted by the individual SALT limitations as the combined SALT limit of \$40,000 (4 members x \$10,000 per member cap) is less than the \$80,000 entity SALT liability.
 - Business B would likely chose to file taxes at the entity level under this proposal.

B&P further notes that as of the creation of this fiscal note, the IRS is allowing this particular SALT cap work around. If the IRS disallows this work around, B&P assumes that entities would no longer choose to file a Missouri return at the entity level.

Currently, each member of a pass-through business must file their own Missouri income tax return showing their portion of business income and deductions. The individual is then responsible for their portion of the Missouri income tax. Individuals are also granted a tax credit for taxes paid in other states, for businesses that operate in multiple states.

Under this proposal, the entity itself could elect to file a Missouri income tax return. The business is to include the same income, deductions, and credits granted at the federal level. If the calculations result in a net loss, the loss is not refundable, but the business may carry the loss

forward until fully used. B&P notes that individuals are not granted a similar net operating loss credit. Therefore, this provision may have an unknown impact on TSR and GR.

B&P notes that businesses would be required to use the corporate income allocation method, as opposed to the current individual allocation method, when determining the amount of income to allocate to Missouri and other states. Therefore, this provision may have an unknown positive or negative impact to TSR and GR depending on the composition of a business's income.

In exchange for filing at the entity level, the entity must calculate their tax due using the highest individual income tax under Section 143.011 in a given tax year. Currently individuals calculate their tax due using the graduated brackets and rates under Section 143.011. This may have minimal impact to TSR and GR.

This proposal would allow non-Missouri residents, with no other Missouri source income other than the income now reflected at the entity level, to not file a Missouri income tax return.

This proposal would further grant Missouri residents, and non-residents with other Missouri source income, a 95% tax credit for their pro-rata share of the taxes paid to other states at the entity level. B&P notes that this provision would allow a 100% credit for S-corporations. This credit would only be granted for the taxes paid at the entity level to other states. This may have an unknown impact to TSR and GR. B&P notes that the impact would depend on the impacts created by changing how business income is allocated between states. The credit is non-refundable, but may be carried forward until fully used.

B&P does not know how many businesses would elect to pay Missouri taxes at the entity level. Further, B&P does not know the income composition of such businesses or the current tax liability of members and thus cannot estimate how this proposal may impact their Missouri tax liability. Therefore, B&P estimates that this provision may have an unknown positive or negative impact on TSR and GR beginning with FY24.

Officials from the **Department of Revenue (DOR)** state under the Tax Cut and Jobs Act (2017) the federal government limited the amount of state and local taxes (SALT) an individual could deduct for federal income tax purposes to no more than \$10,000 (\$5,000 for those married filed separately) annually. However, there were no changes to the limitations on the amount of a deduction connected with a business entity directly.

Capping the amount of the SALT deduction at the federal level resulted in fewer taxpayers being able to reduce their federal tax liability.

Under current law, a pass-through entity's (S Corporations or Partnership) shareholders pay income tax on the shareholder's pro rata share of the entity's income attributable to Missouri. They file their share on their individual income tax return rather than the business entity filing a corporate income tax return. Therefore, each member reports his or her proportion of the entity's

whole income. Therefore, each of the individual members is subject to the \$10,000 SALT limit on their return.

This proposal creates the SALT Parity Act. The purpose of the act is to help companies increase the amount of itemized deductions they can claim at the federal level by finding a work-around of the \$10,000 SALT deduction. Increasing their itemized amount would result in a savings to taxpayers, as their federal tax liability would decrease.

A business entity is not bound by the \$10,000 limit. Therefore, a plan was created in several states and appears to be allowed by the federal government that would allow the business entity to report the group's income and pay the taxes of the group as a whole. The business entity then receives the greater itemized deduction on their federal return and lowers their overall tax liability. This results in a savings to the business entities.

This proposal is setting up this work around at the state level for Missouri businesses. This proposal in Section 143.436.3 & 143.436.4 would allow partnerships and S Corporations to pay as a whole. The partnership or S Corp would report income for the whole business and file a return on behalf of the entire group. For tax years beginning on or after January 1, 2023, this act would allow the pass-through business entity to elect to pay a company tax. The tax is to equal the sum of each member's income and loss items, as described in federal law, reduced by a deduction allowed for qualified business income, as described in federal law, and modified by current provisions of state law relating to the taxation of pass-through entities, with such sum multiplied by the highest rate of tax in effect for the state personal income tax rate.

Per this proposal, they would be required to use the highest individual income tax rate for the tax rate. That rate is currently 5.3% for TY 2022. Currently, if members of the business entity pay taxes, the amount paid depends on their income and which tax bracket they are assessed at. Having these business entities pay the state the highest individual income tax rate could potentially result in an increase in revenue to the state as opposed to each member filing separately.

Upon filing the business entity tax return, the business entity notifies the Department of its election to file as a group and provides a report to the Department of the proportional share of income earned and tax paid of each member. The individual members of the business entity are then required to file an individual income tax return. They must report the amount of the pro rata share that was paid by the business entity. They are then allowed a credit against the tax already paid by the business entity.

The credit is equal to their pro rata share of the tax paid. This proposal states these credits are not refundable but can be carried over until fully taken. The lack of refundability of the credits could result in some members not being able to use their credits. If credits are never redeemed this results in revenue to the state.

This proposal in Section 143.436.11 requires these business entities to annually elect whether or not to participate in this business entity tax program. This program is strictly voluntary. Due to the voluntary nature of this program, the Department is not able to determine how many potential S Corps or partnerships would chose to participate each year.

The Department assumes that business entities would chose to participate based on what is best for the majority of its members. While a business entity may choose what is best for the majority of its members, some members may not see a benefit under this program. Individual income tax returns are specific to each taxpayer's life situation. Two people with the same job and same income may have very different life situations that can impact the amount of tax liability they will have. One may be married with kids while the other may be single with no kids but an illness that requires extensive medical payments. Their final tax liability may be different.

Is it possible that due to an individual's life situation they end up owing less in taxes to the State than they otherwise would have if their business reported under current law? It is possible. It is also possible they could owe more. Depending on which happened, additional or less revenue to the state is possible.

The Department notes it is unable to estimate the actual fiscal impact of this proposal. The Department cannot predict the number of business entities that would chose to participate in this voluntary program. Nor is the department able to predict how many of the individual taxpaying business entity members would benefit or be hurt by this proposal. The Department notes that business entity members would benefit from the increased federal deduction and receive a savings on their federal return. However, based on the taxes paid by the business entity as a whole and the credits provided the members, this proposal would not result in more than a minimal impact to the state.

The Department notes this proposal would ease an administrative burden on the Department. Under current law, in order to audit, the Department spends a lot of time trying to identify all the members of a business entity to ensure all the tax is paid. With the business entities filing the taxes and reporting the number of partners and pro rata share of the income, this would allow the Department to more easily audit these businesses, saving time and resources. This proposal with the previous partnership audit reporting laws that passed in 2020 will ease some of the time consuming tracking of these business entities. The amount of the impact can't be determined due to the voluntary nature of the program.

The Department notes this will require making changes to the existing tax reporting forms and potentially the creation of a new form for identifying the business entity members and their pro rata share. These changes are estimated to cost \$5,000. Additional programming and other website updates would result in \$3,596 in costs.

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

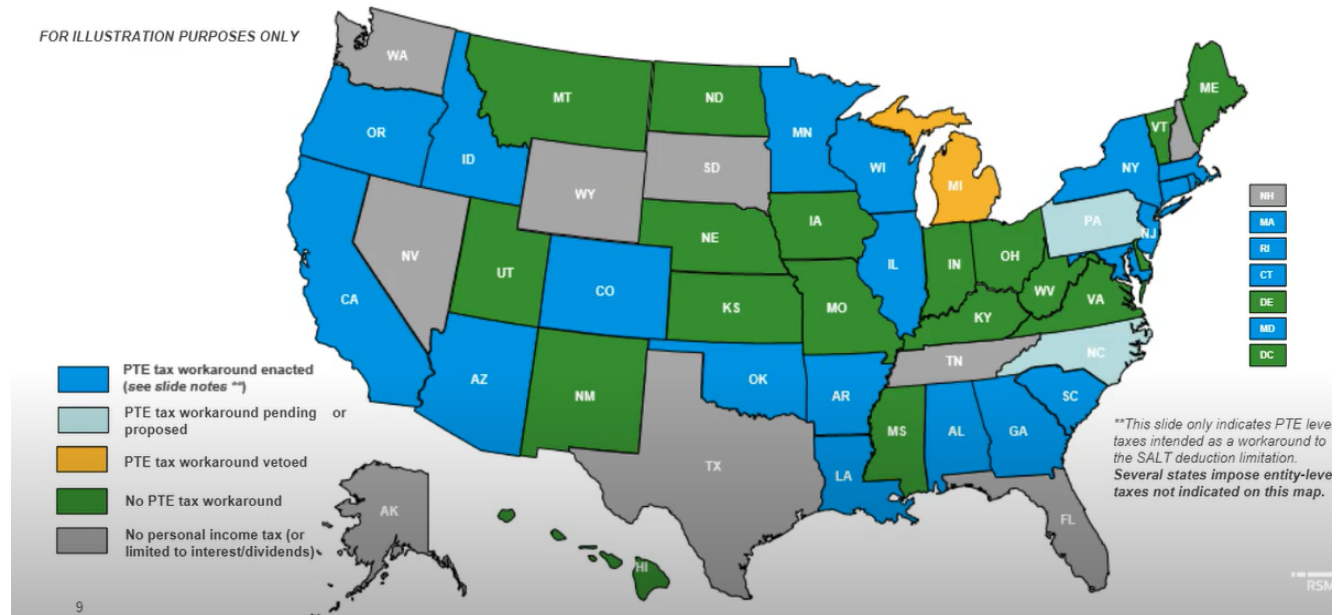
(administrative) costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process. Officials from the DOR assume the proposal will have minimal fiscal impact on their organization.

Oversight notes that **DOR** and **B&P** both note the deductions for purpose of the state and local taxes (SALT) paid by pass-through business owners are currently capped at \$10,000. Conversely, C corporations are allowed to fully deduct these same expenses. In states that tax pass-through firms at the owner level, the disparate treatment puts their firms at a significant disadvantage compared to C corporations. As such, restoring the federal SALT deduction in its entirety for pass-through entities has been a key priority for S-CORP and the Main Street Employers coalition since the cap was implemented back in 2017.

Oversight notes, that according to the taxpolicycenter.org, a joint project from the Urban Institute and the Brookings Institution, in 2017, 16 percent of tax filers with income between \$20,000 and \$50,000, 76 percent of tax filers with income between \$100,000 and \$200,000, and over 90 percent of tax filers with income above \$200,000 claimed SALT.

Oversight notes since 2018, the Main Street Employers coalition has led advocacy efforts to restore the State and Local Tax (SALT) deduction for pass-through businesses. More than a half dozen states have enacted various version of such a legislation to date and, following the 2020 Treasury Department announcement, IRS Notice 2020-75 (11/2020), validating this legislative approach, SALT Parity measures are being actively considered in more than a dozen states this year.

State PTE tax - Overview



<https://news.bloombergtax.com/tax-insights-and-commentary/salt-cap-workaround-pass-through-entity-tax-update-part-ii>

Oversight notes that under this proposal, a small business may elect to pay tax at the entity level, and a corresponding credit is allowed at the partner, member, or shareholder level. There are four main categories of businesses, which would qualify for such a deduction as shown below:

- General Partnerships
- Limited Partnerships
- Limited Liability Companies
- Sub-Chapter S Corporations

Additionally, there are no restrictions as to Multi-tier Partnerships or Trusts that are entity partner members.

Oversight notes that officials from the DOR and SOS added, via additional e-mails, that there are currently at least 81,000 S-Corporations in Missouri. The Department of Revenue is not able to discern how many partnerships are currently in Missouri. Officials from the SOS note that a partnership can exist and function as a business without any kind of document setting out the rights or responsibilities of the partners. These partnerships function similarly to a sole proprietorship, but have two or more owners (partners). The only partnerships which have to register with the SOS are those which intend to limit the liability of the individual partners or the partner company, and in this regard, function similarly to a corporation. Therefore, neither DOR

nor SOS can estimate the collective number of partnerships which operate in Missouri at any given time, as they are not all required to register.

Oversight notes that by paying tax at the entity level, members of the PTE are deducting expenses and taxes incurred by the trade or business (i.e., an above-the-line deduction) versus a conventional below-the-line deduction at an individual level that would be subject to the SALT limitation of \$10,000. Moreover, according to estimates from the U.S. Congress’ Joint Committee on Taxation, less than 15% of taxpayers currently qualify to itemize their deductible amounts while filing taxes with average AGI of \$60,981 and an average SALT amount of \$9,958.

As provided in the proposal, companies file their income tax at the individual level while using the 95% credit for filing at the entity level as a deduction. For the purpose of this proposal, **Oversight** will assume that the company election process will happen throughout FY 2023 due to various companies’ filing tax schedules. (I.e. some filing monthly, quarterly, annually, etc.)

For information purpose, **Oversight** will show the various impact of the proposal below:

Table 1

| Proposed - *assuming \$200,000 deductible without SALT cap | | | |
|--|------------------------------------|------------|------------------|
| Entity Level | ABC LLP - 2 Members 50/50 Partners | | |
| Net Income | 800,000 | | |
| Tax liability paid | 32,000 | | |
| Member level | A - 50% | | B-50% |
| Net Income | \$ | 400,000.00 | \$ 400,000.00 |
| Tax | \$ | 21,200.00 | \$ 21,200.00 |
| Tax Credit at 95% | (\$32,000/2)*.95 | | (\$32,000/2)*.95 |
| Tax credit amount awarded | \$ | 15,200.00 | \$ 15,200.00 |
| Tax liability amount at members level | \$ | 6,000.00 | \$ 6,000.00 |
| Total tax paid | \$ | 22,000.00 | \$ 22,000.00 |
| | | | \$ 44,000.00 |

Oversight notes the example in Table 1 shows how the 95% tax credits would work against the personal income taxes at the individual member level from the current law.

Table 2

| | | | |
|---------------------------------------|------------------------------------|--|---------------|
| Current Law | | | |
| Entity Level | ABC LLP - 2 Members 50/50 Partners | | |
| Net Income | 1,000,000 | | |
| Tax liability paid | 0 | | |
| Member level | A - 50% | | B-50% |
| Net Income (entity + other income) | \$ 600,000.00 | | \$ 600,000.00 |
| Tax | \$ 31,800.00 | | \$ 31,800.00 |
| Tax Credit at 95% | | | |
| Tax credit amount awarded | | | |
| Tax liability amount at members level | | | |
| Total tax paid to the State | \$ 31,800.00 | | \$ 31,800.00 |
| | | | \$ 63,600.00 |

Oversight notes in Table 2, the current law provides lesser tax deductions beyond SALT allowable deductions. However, Table 3 also shows that due to the personal income of each member within the partnership, the overall collected tax in Missouri would not be lesser or higher, but minimally higher or lesser depending on the individual company and each member's personal tax consequence.

Table 3.

| | | | |
|---------------------------------------|------------------------------------|--|------------------|
| Entity Level | ABC LLP - 2 Members 50/50 Partners | | |
| Net Income | 800,000 | | |
| Tax liability paid | 32,000 | | |
| Member level | A - 50% | | B-50% |
| Net Income (entity + other income) | \$ 600,000.00 | | \$ 600,000.00 |
| Tax | \$ 31,800.00 | | \$ 31,800.00 |
| Tax Credit at 95% | (\$32,000/2)*.95 | | (\$32,000/2)*.95 |
| Tax credit amount awarded | \$ 15,200.00 | | \$ 15,200.00 |
| Tax liability amount at members level | \$ 16,600.00 | | \$ 16,600.00 |
| | (31,800-15,200) | | |
| Total tax paid | \$ 32,600.00 | | \$ 32,600.00 |
| | partner 1+ partner 2 tax totals | | \$ 65,200.00 |

Oversight is not able to discern the level of gain or loss to general revenue in any given year because there is currently no data showing the amount of individual income levels or tax rate for each affected company specified within the proposal. (I.e. LLP, LP, S-Corp. etc.)

Oversight notes the proposal shall be effective January 1, 2023. The taxpayers will not be filing their 2023 income taxes until January 1, 2024 (FY 2024). Therefore, Oversight will note a minimum Unknown positive to Unknown negative impact beginning in FY 2024 in the fiscal note.

Oversight notes that while the Tax Cuts and Jobs Act placed a \$10,000 cap on the SALT deduction, it's only temporary. The cap applies to taxable years 2018 through 2025. After tax year 2025, the cap will end, and taxpayers will once again be able to deduct 100 percent of their eligible state and local taxes, unless other tax code changes are passed before then.

Section 215.020 Changes to the Missouri Housing Development Commission

In response to a similar proposal from 2022 (SCS for SB 717) officials from the **Missouri Department of Economic Development**, the **Department of Natural Resources**, the **Missouri Department of Agriculture**, the **Office of the Governor**, the **Office of the State Treasurer**, and the **Missouri House of Representatives** each stated they do not anticipate this proposed legislation will cause a fiscal impact on their respective organizations. Oversight does not have any information to the contrary.

Oversight assumes the increase in related reimbursable expenses due to the Commission adding additional four members will not increase expenses materially.

Sections 347.020 - 358.470 LLC Provisions

In response to a similar proposal (SCS SB 877), officials from the **Office of the Secretary of State (SOS)** assumed the General Revenue regarding these particular filings will decrease, for Limited Liability Companies, and decrease for Limited Liability Partnerships in the first five years.

A new filing of Information Statement for LLCs will start in 2025 and affect LLCs every five years thereafter for each new registration resulting in a positive fiscal impact.

State revenue in 10 years would then level back as the fee cut shifts to the information statement required every five years.

These estimates assume various rate(s) of participation and use of an averaging of historical data to determine estimations.

347.044-347.183 (LLC)

| <u>FY</u> | <u>GR 0101</u> | <u>TECH 0266</u> |
|-----------|----------------|------------------|
| FY2023 | \$ (1,258,214) | \$ 180 |
| FY2024 | \$ (1,227,894) | \$ 216 |
| FY2025 | \$ (1,295,576) | \$ 344,544 |

358.460-358.470 (LLP)

| <u>FY</u> | <u>GR 0101</u> | <u>TECH 0266</u> |
|-----------|----------------|------------------|
| FY2023 | \$ (565.00) | |
| FY2024 | \$ (590.00) | |
| FY2025 | \$ (545.00) | |

Current customer ratio of paper vs online is 25% to 75% for creation filings the change in fees would strive to move that ratio to 5% paper and 95% online. Filing online will have a cost savings as the system is set up to auto process creation documents. While this cost saving is not true for all filings, as manual review by an examiner is required for those documents, there are added benefits to customer submitting online.

It is assumed that 30% of the current LLCs listed as active are actually doing business and will file an information statement as required under 347.044, with an increase rate over time as new LLCs will know before creating that an information statement will be required in five years. The first LLC was created in December of 1993, since that time over 800,000 entities have been created, or converted to the entity type of Limited Liability Company.

Series LLC is a growing area of the LLC entity type. It is unknown how many filings will be effected by the change in cost, as SOS does not currently have revenue collected for these filings. The best estimate is based on what an examiner thinks LLCs file per month annualized.

The technology trust fund is not impacted until January of 2025 when 347.044 starts.

Expenditures for notices mailed to the affected LLCs are estimated at \$206,974 in FY25, \$426,044 in FY26, \$199,186 in FY27, and \$82,950 in FY28. These will be split between GR and Tech Fund each fiscal year.

SOS states the overall impact is estimated at:

| Fund Affected | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
|--|----------------------|----------------------|--------------------|--------------------|--------------------|--------------------|
| General Revenue | (\$1,048,982) | (\$1,228,484) | (\$969,018) | (\$688,411) | (\$960,640) | (\$909,915) |
| Technology Trust Fund | \$180 | \$216 | \$224,032 | \$395,613 | \$213,412 | \$274,525 |
| Total Estimated Net Effect on All State Funds | (\$1,048,802) | (\$1,228,268) | (\$744,986) | (\$292,798) | (\$747,228) | (\$635,390) |

The Secretary of State reserves the right to offset or request additional resources for estimated fiscal note impacts during the budget process.

Oversight notes that on similar legislation, SB 286 from 2021, SOS stated all changes to software would require working with a third party vendor and/or the Information Technology department. Resulting in an estimated expenditure of \$77,600. SOS is now handling this in-house; therefore, Oversight will no longer reflect this cost on the fiscal note.

Oversight will reflect the estimated fiscal impact as provided by SOS.

The **SOS** also assumes 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 \$5,000. 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 provision. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the **SOS** could require additional resources.

In response to a similar proposal (SCS SB 877), officials from the **Office of Administration - Budget and Planning (B&P)** noted these sections make multiple changes regarding the formation, dissolution, information filings, and fees charged to LLCs.

Section 347.020 requires a one-year wait period before an LLC name can be reused.

Section 347.044 requires LLCs to file information reports with the Secretary of State every five-years.

Section 347.143 creates new provision related to court ordered dissolutions of LLCs.

Section 347.179 would lower existing business fees and create new fees charged by the Secretary of State. B&P notes that this provision could have an unknown impact on TSR.

Section 347.183 would apply existing late fees to the new information reports created under Section 347.044. Section 347.183 would also allow the Secretary of State to cancel a LLCs articles of organization 60 days after failing to file an information report. In addition, Section 347.183 creates new provisions related to the reinstatement of a LLCs articles of organization, if the articles were administratively canceled by the Secretary of State. B&P notes that these provisions could have an unknown impact on TSR.

Section 347.186 would limit the number of series that may be impacted per filing.

Sections 358.460 and 358.470 reduces existing LLC filing fees. B&P notes that these provisions could have an unknown impact on TSR.

In response to a similar proposal (SCS SB 877), officials from the **Department of Revenue** noted these provisions are in regards to business filings at the Office of the Secretary of State's Office. These provisions will not fiscally impact the Department and DOR defers to the Office of the Secretary of State for any impact.

Section 362.034 Financial Institutions Provisions

In response to a similar proposal (SCS SB 877), officials from the **Office of Administration - Budget and Planning (B&P)** noted this provision would allow a state or local agency to share, upon written request, certain information with the business's financial institution.

This provision will not impact TSR or the calculation under Article X, Section 18(e).

In response to similar legislation (SB 716), officials from the **Department of Health and Senior Services (DHSS)** stated that this provision allows any entity that operates as a facility licensed or certified under Article XIV, Section 1 of the Constitution of Missouri to request in writing that a state or local licensing authority or agency share the entity's application, license, or other

regulatory and financial information with a banking institution. The state or local licensing authority or agency shall include in the written request a waiver giving authorization for the transfer of the individualized data, information, or records and waiving any confidentiality or privilege that applies to that individualized data, information, or records. The Division of Regulation and Licensure, Section for Medical Marijuana Regulation (SMMR) expects to absorb these costs in the normal ebb and flow of its operations.

The Department of Health and Senior Services anticipates being able to absorb these costs. However, until the FY23 budget is final, the department cannot identify specific funding sources.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for DHSS for this section.

In response to similar legislation (SB 716), officials from the **Department of Commerce and Insurance** and the **Department of Revenue** each assumed the provision will have no fiscal impact on their respective organizations.

Oversight notes that the above mentioned agencies have stated the provision would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for this section.

Section 407.475 – Charitable Organizations

In response to similar legislation, SS No. 2 for SCS for SB 968 from 2022, officials from the **Office of Administration - Budget and Planning, Department of Labor and Industrial Relations, Department of Elementary and Secondary Education, Missouri Department of Conservation, Department of Transportation, and the Office of the State Courts Administrator** each assumed the provision would not fiscally impact their respective agencies.

In response to similar legislation (SB 968), officials from the **Department of Labor and Industrial Relations** assumed the provision would not fiscally impact their agency.

Oversight notes that the above mentioned agencies have stated the provision would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies for this section.

In response to a previous version of SS No. 2 for SCS for SB 968 from 2022, officials from the **Office of Administration - Budget and Planning (B&P)** noted this section would prohibit a state agency from requiring a charitable organization to provide annual filing or reporting beyond those required under section 407.462 and federal law.

B&P notes that some charitable organizations may be required to file annual state tax returns, which are not one of the allowable filing or reporting requirements under section 407.462 or federal law. B&P defers to DOR for more information.

Therefore, this section may reduce GR and TSR by an unknown amount. This section may impact the calculation under Article X, Section 18(e).

In response to similar legislation, SS No. 2 for SCS for SB 968 from 2022, officials from the **Department of Revenue** noted this provision would prohibit a state agency or official from imposing an annual filing/reporting requirement on an organization regulated or specifically exempted from regulation under sections 407.450 to 407.478, if those annual filing/reporting requirements are more stringent, restrictive, or expansive than the requirements of section 407.462. This does exempt filing/reporting requirements specifically required or authorized by federal law.

Depending on whether this proposal applies to state tax filing and tax reporting requirements, this proposal may impact DOR as it pertains to tax administration. If DOR could no longer require tax returns of certain organizations this could result in a significant but unknown loss to general revenue and total state revenue.

Oversight will reflect the possible scenario described by B&P and DOR that charitable organizations are no longer required to report and file tax returns on unrelated business taxable income as a result of this provision. Therefore, the state may see a reduction in tax revenue of an unknown amount. Oversight will show the impact as a \$0 or (Unknown) potential loss of general revenue funds.

Sections 431.201 & 431.204 Covenants Involving Business Entities

In response to similar legislation from 2022 (SB 833), officials from the **Department of Labor and Industrial Relations, Missouri Department of Conservation, Missouri Department of Transportation, Attorney General's Office, Office of Administration,** and the **Administrative Hearing Commission** each assumed this proposal will have no fiscal impact on their respective agencies.

In response to similar legislation from 2022 (SB 833), officials from the **City of Kansas** and **City of Springfield** both assumed this proposal will have no fiscal impact on their respective organizations.

In response to similar legislation from 2022 (SB 833), officials from the **Missouri State University** and **University of Missouri System** both assumed this proposal will have no fiscal impact on their respective organizations.

Oversight notes the above mention agencies, universities, and local political organization have stated the proposal would not have a direct fiscal impact on their organization. Oversight does

not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact on the fiscal note for these sections.

Section 620.3900 – Regulatory Sandbox Act

In response to similar proposals, officials from the **Office of Administration – Budget & Planning** noted:

An applicant shall remit to the regulatory relief office an application fee of five thousand dollars per application for each innovative offering. It is not specified in the bill where this money will be deposited, therefore B&P assumes it will be GR. This will have an unknown positive impact on GR and TSR.

This bill would also provide that during the demonstration period, a sandbox participant shall not be subject to the enforcement of state laws or regulations identified in the written agreement between the regulatory relief office and the sandbox participant. There is not enough information on what laws or regulations may be waived or what impact the waiver will have on TSR.

Oversight notes that an applicant shall remit to the regulatory relief office an application fee of \$300 (changed from \$5,000 in original bill) per application for each innovative offering. Therefore, **Oversight** will reflect a potential positive fiscal impact on State Funds for this application fee.

Oversight, for the purpose of this fiscal note, retrieved average patent filings in the State of Missouri to estimate how many entrepreneurs would potentially be participating in this pool. According to the [U.S. Patent and Trademark Office](#) – Patent Technology Monitoring Data (PTMT) there were on average 868 patents filed by Missourians annually between FY 2000 to FY 2015.

Oversight notes that the proposal assesses a \$300 fee that must be paid in order to participate in this program. **Oversight** assumes that the fee structure could potentially result in additional revenue of \$260,400 (\$300 x 868 potential innovative entrepreneurs). Therefore, for purpose of this fiscal note, **Oversight** will reflect a positive unknown amount to the General Revenue Fund

Oversight assumes that the fee paid to participate will be remitted to the GR, for purpose of this fiscal note, and as shown above the amounts collected could potentially exceed \$250,000.

In response to a similar proposal, officials from the **Department of Revenue (DOR)** note:

The proposal would create a new government entity, the “regulatory relief office,” which may enter into agreements to essentially waive the requirements of Missouri’s statutes and regulations on certain participating businesses. The proposal directs the regulatory relief office to consult

with applicable agencies, including concerning whether the applicable agency has previously investigated, sanctions, or pursued legal action against the applicant. The proposed legislation prohibits these agreements from exempting an applicant “from any income, property, or sales tax liability unless such applicant otherwise qualifies for an exemption from such tax.”

Should a participant in this program, be allowed to not pay taxes this will impact state revenue and DOR. DOR has numerous other tax types besides the income tax and sales tax exempted under this proposal. Examples include, withholding tax, tire and battery fee taxes, use taxes and more that do not appear protected under this proposal. Additionally, this regulatory relief office is given authority to waive state law and regulations. DOR is concerned this would result in filing deadlines being moved or changed for some filers and not others or payments being waived.

Additionally, this proposal requires the agencies to provide information on DOR’s relationships with a participating business to the regulatory relief office. Some of this information is currently protected under DOR's confidentially laws.

At this time, DOR is unable to estimate a fiscal impact from this proposal. DOR could possibly need additional FTE to work with the regulatory relief office depending on the number of participants, as well as have losses to revenue if participants are allowed to not pay taxes.

Oversight notes DOR assumes the proposal would allow for selected companies, who participate in the Sandbox program, to receive relief from various taxes which would have an effect on General Revenues and Other State Funds. Additionally, the DOR assumes the need for additional FTE to ensure compliance with this proposal. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a potential (\$0 or) unknown negative impact to the General Revenue and Other State Funds, as a result of reduction in a various tax revenues and potential FTE costs, in the fiscal note.

Officials from the **Department of Economic Development (DED)** assume the proposal states that the regulatory relief office will be administered by a sandbox program director. DED has estimated personal service costs by taking a mid-range salary of a typical Program Director (Designated Principal Assistant) at DED who oversees an office but does not supervise staff. DED also believes additional review (e.g., reviews of state laws) would require a legal counsel FTE. If DED determines that additional staff are needed to administer the sandbox program, DED will request additional FTE through the normal budget process.

Oversight notes that DED assumes the proposal will have a direct fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect DED’s FTE in the fiscal note.

Officials from the **Missouri Department of Conservation (MDC)** assume the proposal will have an unknown fiscal impact on their organization and could potentially affect MDC funds.

Oversight notes that the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution, thus MDC's sales taxes are constitutional mandates.

Additionally, **Oversight** notes the Park, Soil, and Water Sales Tax funds are derived from the one-tenth of one percent sales and use tax pursuant to Article IV Section 47 (a) thus DNR's sales taxes are constitutional mandates. Therefore, Oversight will reflect the fiscal impact estimates for DNR's funds. Therefore, **Oversight** will reflect the MDC's and DNR's fiscal impact estimates in the fiscal note.

Officials from the **Department of Commerce and Insurance (DCI)** assume the proposal, specifically Sections 620.3900 - 620.3930, would have an unknown impact to DCI depending on the number of businesses and individuals that would request to participate in the Sandbox Program.

Oversight notes that changes in the HCS exempt the Division of Professional Registration. DCI assumes this proposal would have a direct fiscal impact on other areas of their organization. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a negative unknown impact to various state funds in the fiscal note.

Oversight notes that there are few examples of various agency costs in similar Sandbox proposals filed in the States of Utah, Ohio, Nebraska, Nevada, and the Arizona. Each fiscal note addresses the difficulty of projecting any costs associated with the proposals. However, recent fiscal note submitted to the Nebraska Legislature for consideration of similar bill LB 1127 ([Nebraska Sandbox proposal - 2022](#)) from various agencies claiming costs associated with the proposal, are provided in the Table 1.

Oversight notes that the Missouri Sandbox proposal requires, among other duties, the Administrator to:

- Act as a Liaison between private businesses and agencies of the State
- Consult with each affected agency
- Establish Program to enable a person to obtain legal protections
- Review State Laws
- Create a framework for analyzing the risk level of the health, safety, and financial well-being of consumers
- Propose and enter into reciprocity agreements
- Enter into agreements with or adopt best practices of corresponding federal regulatory agencies and other states
- Create and maintain the Department's website
- Create and submit annual reports to the governor and general assembly

Oversight notes that there are many other duties required from the Sandbox Office under this proposal. Therefore, it is probable that the agencies tasked with the regulatory implementation of

this program, such as DOR or DED, will need additional FTEs in order to provide the regulatory framework and compliance procedures for this Act.

Oversight notes that Missouri population is at least 3 times greater (6.6M – Missouri population / 1.94M –Nebraska Population) than that of Nebraska, thus the costs could potentially reach a higher level of expenditure in Missouri. Therefore, for purpose of this fiscal note, **Oversight** will note an unknown negative impact to the General Revenue and Other State Funds, which could potentially exceed \$250,000 in various FTE and forgone tax revenue costs to various state funds in the fiscal note.

Table 1.

| AGENCY | FY 2023 | FY 2024 |
|---|---------------------------|---------------------------|
| Department of Economic Development | \$ 520,380.00 | \$ 641,930.00 |
| Department of Banking and Finance | \$ 223,025.00 | \$ 215,325.00 |
| Board of Engineers and Architects | \$ 3,300.00 | \$ 3,300.00 |
| Department of Environment and Energy | \$ 202,371.00 | \$ 202,371.00 |
| Department of Agriculture | \$ 77,500.00 | \$ 77,500.00 |
| Liquor Control Commission NFI NFI | No Fiscal Impact | No Fiscal Impact |
| Motor Vehicle Industry Licensing Board No discernable impact No discernable impact | No Discernable impact | No Discernable impact |
| Nebraska State Electrical Division Indeterminable Indeterminable | Indeterminable | Indeterminable |
| Board of Barber Examiners Indeterminable Indeterminable | Indeterminable | Indeterminable |
| Attorney General NFI NFI | No Fiscal Impact | No Fiscal Impact |
| Nebraska Real Estate Commission Negligible to significant Negligible to significant | Negligible to Significant | Negligible to Significant |
| Supreme Court NFI NFI | No Fiscal Impact | No Fiscal Impact |
| Department of Labor NFI NFI | No Fiscal Impact | No Fiscal Impact |
| Department of Administrative Services | \$ 71,200.00 | \$ 77,000.00 |
| Department of Insurance | \$ 168,900.00 | \$ 173,317.00 |
| Total | \$ 1,127,776.00 | \$ 1,217,426.00 |
| FTE total | 9.5 | 10.5 |

Officials from the **Attorney General’s Office**, the **Office of Administration – Administrative Hearing Commission**, the **Office of Administration – Director’s Office**, the **Missouri Department of Transportation**, the **Department of Natural Resources**, and the **Office of the State Auditor** each assume the proposal will have no fiscal impact on their organizations. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact in the fiscal note for these agencies.

Officials from the **City of Kansas City**, the **City of O’Fallon**, the **City of Springfield**, and the **City of Claycomo** each assume this proposal would not have a direct fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact in the fiscal note for these local political subdivisions.

Oversight notes each county and city assess sales or use tax on the sale of goods in Missouri. The tax remitted to a various local political subdivisions serves the local political subdivision

L.R. No. 3709H.09C

Bill No. HCS for SS for SCS for SB 931

Page **34** of **41**

May 11, 2022

needs. DOR assume the companies could receive relief from various taxes. This could have an effect on the local political subdivisions. Therefore, **Oversight** will note a potential unknown negative impact to the local political subdivision funds in the fiscal note, depending upon sandbox participants and applications.

| <u>FISCAL IMPACT – State Government</u> | FY 2023 (10 Mo.) | FY 2024 | FY 2025 | Fully Implemented (FY 2028) |
|---|---|---|---|---|
| GENERAL REVENUE FUND | | | | |
| <u>Transfer Out</u> – §44.032 – Missouri Disaster Fund to now cover rural electric cooperatives p. (3-4) | \$0 to (Unknown, Greater than \$250,000) | \$0 to (Unknown, Greater than \$250,000) | \$0 to (Unknown, Greater than \$250,000) | \$0 to (Unknown, Greater than \$250,000) |
| <u>Costs</u> – §105.1500.5 - Potential increase in payments to Legal Expense Fund for increase in claims p. (5-7) | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |
| <u>Loss of Penalties Revenue</u> – §135.810 – Penalties & fraud for timely filing p. (6-10) | Could Exceed (\$114,638) | Could Exceed (\$114,638) | Could Exceed (\$114,638) | Could Exceed (\$114,638) |
| Revenue Loss - §143.081 Tax Credit for S-Corporation p. (10-11) | (Unknown – could exceed \$250,000) | (Unknown – could exceed \$250,000) | (Unknown – could exceed \$250,000) | (Unknown – could exceed \$250,000) |
| <u>Revenue Loss</u> – §143.114 Employee Stock Ownership Deduction – extends sunset date p. (11) | (Unknown) | (Unknown) | (Unknown) | (Unknown) |
| <u>Savings</u> – §143.119 - Credit Redemption for self-employed filers with greater than \$3,000 liability p. (13-16) | Unknown, could exceed \$5,942,873 | Unknown, could exceed \$5,942,873 | Unknown, could exceed \$5,942,873 | Unknown, could exceed \$5,942,873 |
| <u>Savings</u> – §143.119 - Credit Redemption for self-employed non-resident filers p. (12-15) | Unknown, Could Exceed \$900,000 | Unknown, Could Exceed \$900,000 | Unknown, Could Exceed \$900,000 | Unknown, Could Exceed \$900,000 |
| <u>Savings</u> – §143.119 - Credit Redemption no longer refundable p. (12-15) | Unknown | Unknown | Unknown | Unknown |

| | | | | |
|---|------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <u>Revenue Loss or Gain</u> - §143.436 SALT Parity Act: Entity And Individual Tax Liability Paid p. (15-23) | \$0 | Minimum Unknown to Minimum (Unknown) | Minimum Unknown to Minimum (Unknown) | Minimum Unknown to Minimum (Unknown) |
| <u>Loss</u> - §347.020 - §358.470 SOS -fee Revenue reduction (LLC) p. (23-26) | (\$1,052,162) | (\$1,234,098) | (\$1,303,151) | (\$1,279,240) |
| <u>Loss</u> - §347.020 - §358.470 SOS-fee Revenue reduction (LLP) p. (23-26) | (\$471) | (\$590) | (\$545) | \$0 |
| <u>Cost</u> - §347.020 - §358.470 SOS-notices mailed to affected LLCs p. (23-26) | \$0 | \$0 | (\$120,512) | (\$41,475) |
| <u>Income</u> - §347.020 - §358.470 SOS - fee Revenue for LLC p. (23-26) | \$3,650 | \$6,204 | \$455,190 | \$410,800 |
| <u>Loss</u> – §407.475 DOR – if, with this bill, charitable organizations are no longer required to file certain tax returns p. (27-28) | \$0 or (Unknown) | \$0 or (Unknown) | \$0 or (Unknown) | \$0 or (Unknown) |
| <u>Revenue Gain</u> – §620.3915.2 Regulatory Sandbox Act - \$300 Fee Paid to participate in the program p. (30-33) | \$0 or Unknown | \$0 or Unknown | \$0 or Unknown | \$0 or Unknown |
| <u>Cost</u> – §620.3915.2 - Regulatory Sandbox Act Reduction in Revenues – various tax not paid p. (29-32) | \$0 or (Unknown) | \$0 or (Unknown) | \$0 or (Unknown) | \$0 or (Unknown) |
| <u>Cost</u> – §620.3915.2 - DOR– Regulatory Sandbox Act FTE | \$0 or (Unknown) | \$0 or (Unknown) | \$0 or (Unknown) | \$0 or (Unknown) |

| | | | | |
|--|--|--|--|--|
| necessary to comply with the proposal p. (29-32) | | | | |
| | | | | |
| <u>Costs</u> – §620.3915.2 - DED - Regulatory Sandbox Act - FTE p. (29-32) | | | | Could exceed... |
| Personnel Service | (\$118,757) | (\$145,358) | (\$148,265) | (\$148,265) |
| Fringe Benefits | (\$64,469) | (\$78,318) | (\$79,293) | (\$79,293) |
| Expense & Equipment | (\$17,827) | (\$11,416) | (\$11,644) | (\$11,644) |
| <u>Total Costs</u> - | <u>(\$201,053)</u> | <u>(\$235,092)</u> | <u>(\$239,202)</u> | <u>(\$239,202)</u> |
| FTE Change | 2 FTE | 2 FTE | 2 FTE | 2 FTE |
| | | | | |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | Less than \$4,978,199 to <u>(Unknown)</u> | Less than \$4,764,659 to <u>(Unknown)</u> | Less than \$5,020,015 to <u>(Unknown)</u> | Less than \$5,079,188 to <u>(Unknown)</u> |
| | | | | |
| Estimated Net FTE Change on General Revenue Fund | 2 FTE | 2 FTE | 2 FTE | 2 FTE |
| | | | | |
| MISSOURI DISASTER FUND (0663) | | | | |
| | | | | |
| <u>Transfer In</u> - §44.032 - from General Revenue p. (3-4) | \$0 to Unknown, Greater than \$250,000 | \$0 to Unknown, Greater than \$250,000 | \$0 to Unknown, Greater than \$250,000 | \$0 to Unknown, Greater than \$250,000 |
| | | | | |
| <u>Cost</u> – §44.032 - SEMA Disaster damages p. (3-4) | <u>\$0 to (Unknown, Greater than \$250,000)</u> | <u>\$0 to (Unknown, Greater than \$250,000)</u> | <u>\$0 to (Unknown, Greater than \$250,000)</u> | <u>\$0 to (Unknown, Greater than \$250,000)</u> |
| | | | | |
| ESTIMATED NET EFFECT ON THE MISSOURI DISASTER FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| | | | | |
| | | | | |
| OTHER STATE FUNDS | | | | |
| | | | | |
| <u>Cost</u> - §105.1500.5 - Potential increase in payments to Legal | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |

| | | | | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Expense Fund for increase in claims p. (6-7) | | | | |
| <u>Loss of Revenues – §620.3915.2 - Regulatory Sandbox - to various State Funds – various tax not paid p. (30-33)</u> | <u>\$0 or (Unknown)</u> | <u>\$0 or (Unknown)</u> | <u>\$0 or (Unknown)</u> | <u>\$0 or (Unknown)</u> |
| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | <u>\$0 or (Unknown)</u> | <u>\$0 or (Unknown)</u> | <u>\$0 or (Unknown)</u> | <u>\$0 or (Unknown)</u> |
| LEGAL EXPENSE FUND (0692) | | | | |
| <u>Transfer In - §105.1500.5 - from GR, Federal, and Other State Funds p. (6-7)</u> | \$0 to Unknown | \$0 to Unknown | \$0 to Unknown | \$0 to Unknown |
| <u>Transfer Out – §105.1500.5 - Payment of discrimination claims p. (6-7)</u> | <u>\$0 to (Unknown)</u> | <u>\$0 to (Unknown)</u> | <u>\$0 to (Unknown)</u> | <u>\$0 to (Unknown)</u> |
| ESTIMATED NET EFFECT ON THE LEGAL EXPENSE FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| TECHNOLOGY TRUST FUND | | | | |
| <u>Income - §347.020 - §358.470 SOS- filing fees p. (24-27)</u> | \$180 | \$216 | \$344,544 | \$316,000 |
| <u>Cost - §347.020 - §358.470 – SOS notices mailed to affected LLCs p. (24-27)</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$120,512)</u> | <u>(\$41,475)</u> |

| | | | | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| ESTIMATED NET EFFECT ON THE TECHNOLOGY TRUST FUND | <u>\$180</u> | <u>\$216</u> | <u>\$224,032</u> | <u>\$274,525</u> |
| | | | | |
| FEDERAL FUNDS | | | | |
| | | | | |
| <u>Costs</u> - §105.1500.5 - Potential increase in payments for increase in claims p. (6-7) | <u>\$0 to (Unknown)</u> | <u>\$0 to (Unknown)</u> | <u>\$0 to (Unknown)</u> | <u>\$0 to (Unknown)</u> |
| | | | | |
| ESTIMATED NET EFFECT ON FEDERAL FUNDS | <u>\$0 to (Unknown)</u> | <u>\$0 to (Unknown)</u> | <u>\$0 to (Unknown)</u> | <u>\$0 to (Unknown)</u> |

| <u>FISCAL IMPACT – Local Government</u> | FY 2023 (10 Mo.) | FY 2024 | FY 2025 | Fully Implemented (FY 2028) |
|---|------------------|------------------|------------------|-----------------------------|
| LOCAL POLITICAL SUBDIVISIONS | | | | |
| | | | | |
| <u>Loss and/or Cost</u> – §71.990 - of permit/license revenue and potential costs for additional investigations on home based businesses p. (5-6) | (Unknown) | (Unknown) | (Unknown) | (Unknown) |
| | | | | |
| <u>Costs</u> – §105.1500.5 - Potential increase in claims p. (6-7) | \$0 or (Unknown) | \$0 or (Unknown) | \$0 or (Unknown) | \$0 or (Unknown) |
| | | | | |
| <u>Loss of Revenues</u> – §620.3915 - Regulatory Sandbox Act - to various local funds –various tax not paid p. (30-33) | \$0 or (Unknown) | \$0 or (Unknown) | \$0 or (Unknown) | \$0 or (Unknown) |
| | | | | |
| ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS | (Unknown) | (Unknown) | (Unknown) | (Unknown) |

FISCAL IMPACT – Small Business

Businesses who qualify for the various tax credits mentioned in this proposal may be impacted.

FISCAL DESCRIPTION

This proposal modifies provisions relating to business entities.

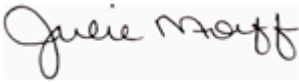
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

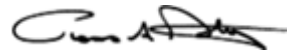
Attorney General's Office
Department of Commerce and Insurance
Department of Corrections
Department of Economic Development
Department of Health and Senior
Department of Labor and Industrial Relations (DOLIR)
Department of Mental Health
Department of Natural Resources
Department of Public Safety - State Emergency Management Agency (SEMA)
Department of Revenue
Department of Social Services
Joint Committee Legislative Research
Joint Committee on Administrative Rules
Metropolitan St. Louis Sewer District
Missouri Consolidated Health Care Plan
Missouri Department of Conservation
Missouri Department of Transportation
Missouri Ethics Commission
Missouri House of Representatives
Missouri Lottery
Missouri Office of Prosecution Services
Missouri Senate
Missouri State Employee's Retirement System
Missouri State University
Missouri University System
Office of Secretary of State (SOS)
Office of State Treasurer
Office of Administration
Office of the Governor
South River Drainage District
State Tax Commission
University of Central Missouri
Wayne County PWSD #2
City of Claycomo

L.R. No. 3709H.09C
Bill No. HCS for SS for SCS for SB 931
Page **41** of **41**
May 11, 2022

City of Kansas
City of Liberty
City of O'Fallon
City of St. Louis
Hancock Street Light District
Hughesville Water/Wastewater
Little Blue Valley Sewer District
Morgan County PWSD #2



Julie Morff
Director
May 11, 2022



Ross Strobe
Assistant Director
May 11, 2022