

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1056-01
Bill No.: SB 283
Subject: Tax Credits; Taxation and Revenue; Agriculture and Animals; Business and Commerce.
Type: Original
Date: February 4, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
None			
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** state this proposal re-establishes a tax credit for the amount paid by a small business to the Small Business Administration as a guarantee fee. DOR states that assuming the credit is certified to DOR by another agency, the Personal Tax Division will need one Tax Processing Tech I (at \$21,192 annually) for every 10,000 credits received.

DOR estimates, with the one additional FTE, that this proposal will result in costs of roughly \$40,000 per year to the General Revenue Fund.

Officials from the **Department of Economic Development (DED)** assume this bill will have no impact on their department. Chapter 135.766, RSMo was repealed as part of legislation that was formerly codified into law but later declared unconstitutional. DED still projects the impact of this credit in revenue projections (for FY 2004, projections are \$200,000 for authorized and \$80,000 for redeemed). DED, therefore, assumes that passage of this bill would result in no impact on DED or Total State Revenues.

ASSUMPTION (continued)

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Officials from the **Department of Agriculture** did not respond to our request for fiscal impact.

Oversight assumes the fiscal impact of the proposal was reflected in the fiscal note for the original legislation, HB 139 in 1999. In that fiscal note, Oversight stated “according to a local branch of the United States Department of Agriculture, for 1996 through 1998 there were approximately 74 loans made to small businesses in Missouri which totaled \$59 million. Assuming an average of \$20 million dollars a year in loans and assuming that these loans are 80% financed by Rural Development, the guaranty fee is equivalent to 2% of the financing, resulting in approximately \$320,000 a year in tax credits.” Therefore, Oversight reflected a potential loss to the General Revenue Fund of \$320,000 for each of the three fiscal years in that fiscal note. This loss to General Revenue was not reversed in the repeal of Section 135.766, RSMo, the next year with SB 894. Therefore, since Oversight has already reflected the potential loss to the General Revenue Fund resulting from these tax credits in a previous fiscal note, Oversight assumes the technical reinstatement of this tax credit program will not result in additional loss of revenue to the state.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

Section 135.766, RSMo, containing the Small Business Tax Credit for Guaranty Fees in its

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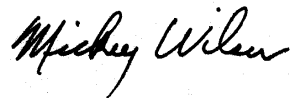
entirety, was repealed by the General Assembly in SB 894 (2000). The Missouri Supreme Court then found that bill to be in violation of the clear title requirement in the Constitution. Thus, the Small Business Tax Credit for Guaranty Fees was never repealed and is still part of our laws. However, once SB 894 passed, the Revisor of Statutes removed the section from the printed version of the Revised Statutes. The Revisor is not authorized to re-publish a section of law that has been repealed by the legislature even if the Supreme Court has overturned that repeal. This repeal would serve to have the section re-published in the RSMo, but will not cause any substantive change to the current law.

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

Department of Revenue
Department of Economic Development

NOT RESPONDING: Department of Agriculture



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Director
February 4, 2003