

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1184-01
Bill No.: SB 326
Subject: Taxation and Revenue - General and Income; Office of Administration; Veterans
Type: Original
Date: April 14, 2003

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|------------------|------------------|------------------|
| FUND AFFECTED | FY 2004 | FY 2005 | FY 2006 |
| General Revenue | (Unknown) | (Unknown) | (Unknown) |
| Total Estimated Net Effect on General Revenue Fund* | (UNKNOWN) | (UNKNOWN) | (UNKNOWN) |

*Expected to exceed \$100,000 annually.

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|--|------------------|------------------|------------------|
| FUND AFFECTED | FY 2004 | FY 2005 | FY 2006 |
| Various State Funds | (Unknown) | (Unknown) | (Unknown) |
| Blind Pension Fund | (Unknown) | (Unknown) | (Unknown) |
| Local Revenue Replacement Fund | \$0 | \$0 | \$0 |
| Total Estimated Net Effect on Other State Funds | (UNKNOWN) | (UNKNOWN) | (UNKNOWN) |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2004 | FY 2005 | FY 2006 |
| | | | |
| 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 | (UNKNOWN) | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Safety, Missouri Veterans Commission** and the **Office of the Adjutant General** assume this proposal would not fiscally impact their agencies.

Officials of the **Office of Administration, Division of Budget and Planning (BAP)** assume this bill would exempt veterans age 65 and over from paying sales tax. The Missouri Veterans Commission has provided data indicating that Missouri has about 215,000 veterans over age 65 who would qualify. BAP has no empirical basis for estimating the spending on taxable items of those who would qualify. This bill would have no impact on BAP.

Officials of the **Secretary of State (SOS)** assume this bill provides for making retired veterans exempt from state and local taxes. It also provides for creation of a Local Revenue Replacement Fund to be funded by appropriations and administered by the Department of Revenue to replace lost funds to reimburse political subdivisions for tax money lost due to this bill. The Department of Revenue is charged with creating rules to administer this fund. The Department of Revenue could promulgate rules to enact this legislation. These rules would be published in both the Missouri Register and the Code of State Regulations. Based on experience with other divisions, the rules, regulations, and forms issued by the Department of Revenue could require as many as

ASSUMPTION (continued)

64 pages in the Code of State Regulations and half again as many pages in the Missouri Register because cost statements, fiscal notes and the like are not repeated in Code. These costs are estimated to be \$3,936 for FY04. The estimated cost of a page in the Register is \$23 and the estimated cost of a page in the Code is \$27. The actual cost could be more or less than the numbers given. The impact of the legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials of the **State Tax Commission (TAX)** assume this proposed legislation establishes a tax exemption for any veteran of the armed services of the United States who retires from such service (regardless of age) and any veteran who reaches the age of sixty-five. This exemption applies to any and all taxes imposed by this state and any political subdivision. TAX assumes this includes all city and county personal property and residential property taxes.

TAX does not have any information available to project the number of veterans who might qualify for this exemption. However, TAX assumes that it would be a significant revenue loss to the General Revenue and Blind Pension Funds.

As any revenue lost by the counties and political subdivisions must be replaced through appropriations, there should not be any fiscal impact to the local funds. However, there may be some additional cost to the political subdivision to administer this proposed legislation.

Officials of the **Department of Revenue (DOR)** did not respond to our fiscal note request.

Oversight assumes this proposal could result in a significant decrease in revenue and will reflect the impact as an unknown, expected to exceed \$100,000 annually. **Oversight** assumes DOR will have costs for programming and additional FTE.

This legislation will decrease total state revenue.

FISCAL IMPACT - State Government

FY 2004
(10 Mo.)

FY 2005

FY 2006

GENERAL REVENUE FUND

Loss - General Revenue

Decrease in tax revenue from
exemption for veterans

(Unknown)

(Unknown)

(Unknown)

Cost - Dept. of Revenue

Personal Service

(Unknown)

(Unknown)

(Unknown)

Fringe Benefits

(Unknown)

(Unknown)

(Unknown)

Expense and Equipment

(Unknown)

(Unknown)

(Unknown)

Programming

(Unknown)

(Unknown)

(Unknown)

Total Cost - DOR

(Unknown)

(Unknown)

(Unknown)

Transfer Out - Local Revenue

Replacement Fund

Reimbursement for local tax revenues
lost by veterans exemption

\$0

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON
GENERAL REVENUE FUND***

(UNKNOWN)

(UNKNOWN)

(UNKNOWN)

*Expected to exceed \$100,000 annually.

BLIND PENSION FUND

Loss - Blind Pension

Decrease in property tax revenue from
exemption for veterans

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON
BLIND PENSION FUND**

(UNKNOWN)

(UNKNOWN)

(UNKNOWN)

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

**LOCAL REVENUE REPLACEMENT
FUND**

Transfer In - from General Revenue

| | | | |
|--|-----|---------|---------|
| Reimbursement for local tax revenues lost by veterans exemption | \$0 | Unknown | Unknown |
|--|-----|---------|---------|

Transfer Out - to Counties/Cities

| | | | |
|--|------------|------------------|------------------|
| Reimbursement for local tax revenues lost by veterans exemption | <u>\$0</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
|--|------------|------------------|------------------|

**ESTIMATED NET EFFECT ON
LOCAL REVENUE REPLACEMENT
FUND**

| | | |
|------------|------------|------------|
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
|------------|------------|------------|

VARIOUS STATE FUNDS

Loss - Various State Funds

| | | | |
|--|------------------|------------------|------------------|
| Decrease in tax revenue from exemption for veterans | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
|--|------------------|------------------|------------------|

**ESTIMATED NET EFFECT ON
VARIOUS STATE FUNDS**

| | | |
|------------------|------------------|------------------|
| <u>(UNKNOWN)</u> | <u>(UNKNOWN)</u> | <u>(UNKNOWN)</u> |
|------------------|------------------|------------------|

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

POLITICAL SUBDIVISIONS

Transfer In - to Counties/Cities

| | | | |
|--|-----|---------|---------|
| Reimbursement for local tax revenues lost by veterans exemption | \$0 | Unknown | Unknown |
|--|-----|---------|---------|

FISCAL IMPACT - Local Government

FY 2004
(10 Mo.)

FY 2005

FY 2006

Loss - Counties/Cities

Local tax revenues lost by veterans
exemption

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON
LOCAL GOVERNMENT**

(UNKNOWN)

\$0

\$0

FISCAL IMPACT - Small Business

Small businesses that charge sales tax could be expected to be impacted as a result of this proposal.

DESCRIPTION

This proposal exempts any veteran of any branch of the United States military who has retired or reached the age of 65 years from all state and local taxes.

Any revenue lost as the result of the exemption by counties and political subdivisions of this state will be replaced through appropriations to the "Local Revenue Replacement Fund" which is created by this act. Each political subdivision which loses revenue as a result of this exemption must certify such revenue loss to the Commissioner of Administration by November 1 for losses accrued in the preceding year.

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

SOURCES OF INFORMATION

Office of Administration
Division of Budget and Planning
Secretary of State
State Tax Commission
Department of Safety
Missouri Veterans Commission
Office of the Adjutant General

NOT RESPONDING: Department of Revenue

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

MICKEY WILSON, CPA
DIRECTOR
APRIL 14, 2003