

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1261-03  
Bill No.: Perfected SCS for SB 385  
Subject: Labor and Industrial Relations Dept.; Taxation and Revenue – General; Workers’ Compensation  
Type: Original  
Date: April 3, 2003

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**FISCAL SUMMARY**

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

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Insurance Dedicated Fund	(\$47,373)	\$0	\$0
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(\$47,373)</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of the State Courts Administrator** assume the proposal would have no fiscal impact on their office.

Officials from the **Office of the Attorney General** assume any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Department of Revenue (DOR)** anticipate this proposal to have minimal impact on their department. DOR states the proposal will require programming modifications to be coordinated with the Department of Insurance and will require a mail out of information to approximately 500 companies. Proposed Section 287.717.4, RSMo, states “the director of revenue may refund the amount of credit if not other obligation is owed to the state.” DOR notes this language is broad; however, DOR anticipates it will have minimal impact. DOR states if the Division of Taxation sees an increase in the amount of refunds requested, an additional FTE will be requested through appropriations.

Officials from the **Department of Labor and Industrial Relations** state this proposal eliminates the premium tax paid on the deductible portion of a deductible insurance policy and replaces it with an administrative surcharge. Since this proposal is revenue neutral, there is no

ASSUMPTION (continued)

fiscal impact to the Workers' Compensation Administrative Fund. The Division of Workers' Compensation will likely require a minor modification to its computer system.

Officials from the **Department of Insurance (INS)** assume this proposal would require a new surcharge program written by Information Systems and new surcharge reporting forms. INS states another system other than the one currently used for premium taxes would have to be developed to track these surcharge amounts on deductible policy premiums. INS assumes they would require .50 FTE (a Tax Auditor II at an annual salary of \$28,488) for auditing, reconciling, follow-up and tracking of the deductible workers' compensation policy surcharge. INS assumes revenue into the Workers Compensation Fund should not change since the surcharge is to be set as the same rate as the workers' compensation premium tax. INS assumes costs to the Insurance Dedicated Fund for the additional .50 FTE, including salary, fringe benefits and expense and equipment to be approximately \$24,000 annually. INS assumes the cost of contract programming to be \$47,373 in FY 2004.

**Oversight** assumes the additional duties associated with auditing, reconciling and tracking of the deductible workers' compensation policy surcharge, for which INS requested .50 FTE, could be absorbed with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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**INSURANCE DEDICATED FUND**

Costs – Department of Insurance			
Contract Programming	<u>(\$47,373)</u>	<u>\$0</u>	<u>\$0</u>

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

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

### DESCRIPTION

Proposed §287.310.9, RSMo, eliminates the deductible portion of a workers' compensation policy from the total employer premium base when determining premium taxes pursuant to §287.690, RSMo.

Proposed §287.716.1, RSMo, replaces the deleted provisions of §287.310.9, RSMo, by establishing an "administrative surcharge" (in lieu of the prior "premium tax") for the deductible portion, if any, of an employer's workers' compensation insurance policy. Proceeds from this surcharge will be used to fund the Division's operational and administrative expenses.

Proposed §287.717.1, RSMo, provides that the administrative surcharge shall be collected by each insurer at the same time and manner as the premium is collected and no insurer or agent is entitled to a portion of the administrative surcharge as a fee or commission. Further, the administrative surcharge is not subject to any taxes, licenses, or fees.

Proposed §287.717.2, RSMo, provides that the administrative surcharge shall be paid to the Missouri Director of Revenue and deposited into the Workers' Compensation Administrative Fund.

Proposed §287.717.3, RSMo, requires the payment of the administrative surcharge in four approximately equal installments and a fifth reconciliation payment. Each insurer is to file a verified affidavit with the Department of Insurance stating the amount of all such total premiums which would have been paid for the deductible portion of the policy.

Proposed §287.717.4, RSMo, states that if an insurance carrier pays more administrative surcharge than was due, it is entitled to a credit against the surcharge due the following year. If no payment is due the following year, then the carrier may receive a refund.

Proposed §§287.717.5 and .717.6, RSMo, allows the Division to issue both penalties and interest at a rate of one and one-half percent against policyholders or insurers who fail to timely submit surcharge payments as required in proposed §287.717.6, RSMo.

Proposed §287.717.8, RSMo, states that proposed §287.717.6, RSMo, does not apply to any employer or group of employers authorized to self-insure by the Division.

DESCRIPTION (continued)

This proposal 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  
Office of the Attorney General  
Office of the State Courts Administrator  
Department of Labor and Industrial Relations  
Department of Insurance



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