

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2960-01
Bill No.: Perfected SB 883
Subject: Tax Credits; Taxation and Revenue - Income; Agriculture and Animals; Business and Commerce.
Type: Original
Date: March 16, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

In response to a similar proposal from last year, officials from the **Department of Revenue (DOR)** stated 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 stated 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 estimated, with the one additional FTE, that this proposal will result in costs of roughly \$40,000 per year to the General Revenue Fund.

In response to a similar proposal from last year, officials from the **Department of Economic Development (DED)** assumed 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 Chapter 135.766, RSMo was repealed as part of legislation that was formerly codified into law but later declared unconstitutional.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 projected the impact of this credit in revenue projections (for FY 2004, projections are \$200,000 for authorized and \$80,000 for redeemed). DED, therefore, assumed that passage of this bill would result in no impact on DED or Total State Revenues.

ASSUMPTION (continued)

Officials from the **Office of Administration - Budget and Planning** state the proposal should not result in additional costs or savings to their agency.

Officials from the **Department of Agriculture** state this proposal would not fiscally impact their agency but could impact Total State Revenue to the extent of the credits claimed.

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.

According to the Small Business Administration, roughly \$3.1 million in loan fees were paid by Missourians in the fiscal year ended September 30, 2002. According to the United States Department of Agriculture (USDA), roughly between \$150,000 and \$300,000 in Rural Development loan guarantee fees are collected in a given year. Also according to the USDA, roughly between \$400,000 and \$500,000 in Farm Service Agencies loan guarantee fees are collected in a given year. With this program, tax credits for these fees could be applied against Missouri taxes due, however, not all payees of these fees will have sufficient tax liability to be able to offset with the tax credit. Since this credit cannot be sold, carried forward or carried back, the amount of tax credits that will be able to be used against Missouri taxes is somewhat limited.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2005
(10 Mo.)

FY 2006

FY 2007

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

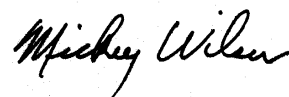
DESCRIPTION

Section 135.766, containing the Small Business Tax Credit for Guaranty Fees in its 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 proposal would serve to have the section re-published in the RSMo.

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 Economic Development
Department of Revenue
Office of Administration - Budget and Planning
Department of Agriculture



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