

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1641-01  
Bill No.: SB 299  
Subject: Taxation and Revenue - Income; Department of Revenue  
Type: Original  
Date: February 25, 2019

---

Bill Summary: This proposal extends the deadline for the remittance of certain tax liabilities.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	Unknown to (Unknown) to \$0 or (Greater than \$9,700,000 to \$27,700,000)	Unknown to (Unknown) to \$0 or (Greater than \$9,700,000 to \$27,700,000)	\$0
<b>Total Estimated Net Effect on General Revenue</b>	<b>Unknown to (Unknown) to \$0 or (Greater than \$9,700,000 to \$27,700,000)</b>	<b>Unknown to (Unknown) to \$0 or (Greater than \$9,700,000 to \$27,700,000)</b>	<b>\$0</b>

\* Due to this proposal beginning on January 1, 2019, Oversight has changed the Fiscal Years on the fiscal note.

\*\* Oversight assumes a positive unknown to negative unknown for revenue estimates until we are able to estimate revenue or verify the data and models provided. Oversight will also reflect B&P's revenue estimates for the changes to the tax rates.

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 11 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** and the **Department of Revenue (DOR)** assume this proposal would allow taxpayers with a tax year 2018 outstanding individual income tax liability balance of less than \$200 to file their final remittance return in June 2019. Such taxpayers may also apply to enter an interest and penalty free repayment plan when they file their return in June 2019. The repayment program would allow taxpayers to pay the outstanding tax balance in four equal installments through October 2019. For the purpose of this fiscal note, B&P assumes that it will take Department of Revenue (DOR) up to 30 days to process applications for the repayment program. Therefore, payments would be received in July 2019 through October 2019.

**B&P** notes that this proposal would be open to all individual income tax filers and not just individuals with wage income and who may have been impacted by the withholding table changes during tax year 2018. B&P further notes that some of taxpayers qualifying for this program could have had a qualifying tax liability and/or paid their tax liability after the April 15th due date regardless of the withholding tables changes. Therefore, B&P estimates that the state will collect less in penalties and interest than would have otherwise occurred. B&P is unable to estimate the potential amount of interest and penalties forgone under this proposal by such taxpayers.

**DOR** assumes they shall design and administer a program to allow any taxpayer who timely files an individual income tax return required under Chapter 143 for the tax year beginning January 1, 2018 and ending December 31, 2018, with an outstanding tax liability of less than two hundred dollars, to pay the full balance of the tax due under such return according to a payment plan which shall take effect on the fifteenth day of the sixth month of 2019. The payment plan shall allow a taxpayer to pay his or her tax due over a period of up to four months, beginning on the fifteenth day of the sixth month of 2019 and ending on the fifteenth day of the tenth month of 2019. The tax due shall be paid in a series of installments of equal amounts over the course of the four-month period. Any taxpayer who meets the criteria of the program authorized under this section shall not be subject to any penalties or interest on the income tax paid under the payment plan. The Department is to design and publish applications for the program. Any taxpayer wanting to participate in the program shall submit a completed copy of the application to the Department no later than the first day of the sixth month of 2019.

### METHOD 1

**B&P** and **DOR** worked together to analyze a random 2017 tax year data sample of 2,000 single filers and 2,000 head of household filers. B&P and DOR estimated the amount of tax liability

ASSUMPTION (continued)

those taxpayers may have in tax year 2018 given the tax changes created by SB 509 (2014) and the federal Tax Cut and Jobs Act (TCJA) (2017). B&P and DOR then adjusted those estimates by the estimated amount of withholding taxes collected through tax year 2018 in order to estimate a remittance or refund amount that could be owed in April 2019. B&P and DOR used this analysis to determine the percentage of total taxpayers that may be impacted by this proposal.

B&P and DOR note that this analysis could not be completed for married filing joint taxpayers due to withholding and tax complexity. B&P and DOR note that married filing joint taxpayers have a different household and thus tax liability structure than either single or head of household filers, making it likely that their distribution patterns are vastly different from those seen with single and head of household filers.

Taxpayers Filing Single

**B&P** and **DOR** used the analysis above to estimate the percentage of single filers with tax year 2018 tax balances due between \$0 and \$200, divided into \$25 increments (\$0-\$24, \$25-\$49, \$50-\$74, etc.). B&P and DOR then determined the average amount due and the percentage of filers with tax remittances within these increments. B&P and DOR applied the percentage and average tax due to the total number of tax year 2017 single filers to estimate the potential impact from this proposal. Table 1 shows the estimated percentage of tax filers impacted, the average remittance due, and the total estimated impact.

Table 1: Single (2017 Filers = 1,261,483)

Estimated Amount Owed	% of 2018 Filers*	Avg Estimated Remittance 2018*	Total Estimated Remittance 2018
Less than \$25	1.9%	\$11	\$254,000
\$25 - \$49	1.6%	\$36	\$705,000
\$50 - \$74	1.0%	\$61	\$725,000
\$75 - \$99	0.9%	\$89	\$1,006,000
\$100 - \$124	0.9%	\$110	\$1,181,000
\$125 - \$149	0.8%	\$139	\$1,403,000
\$150 - \$174	0.6%	\$164	\$1,239,000
\$175 - \$200	0.4%	\$190	\$839,000
<b>Total</b>	<b>7.9%</b>		<b>\$7,352,000</b>

\*Based on random sample of 2,000 taxpayers.

ASSUMPTION (continued)

B&P and DOR estimate that 1.9% of taxpayers filing single could owe an average of \$11 when they file their annual remittance return, for a total of \$254,000 in remittance payments (1.9% x 1,261,483 filers x \$11). Approximately 0.4% of taxpayers filing single could owe an average of \$190 when they file their annual remittance return, for a total of \$839,000 in remittance payments (0.4% x 1,261,483 x \$190). Therefore, B&P and DOR estimate that of single filers approximately 7.9% could qualify for a payment extension for total remittance payments of \$7.4 million.

Taxpayers filing Head of Household / Surviving Spouse

**B&P and DOR** used the analysis above to estimate the percentage of head of household filers with tax year 2018 tax balances due between \$0 and \$200, divided into \$25 increments (\$0-\$24, \$25-\$49, \$50-\$74, etc.). B&P and DOR then determined the average amount due and the percentage of filers with tax remittances within these increments. B&P and DOR applied the percentage and average tax due to the total number of tax year 2017 head of household filers to estimate the potential impact from this proposal. Table 2 shows the estimated percentage of tax filers impacted, the average remittance due, and the total estimated impact.

Table 2: Head of Household (2017 Filers = 374,502)

Estimated Amount Owed	% of 2018 Filers*	Avg Estimated Remittance 2018*	Total Estimated Remittance 2018
Less than \$25	5.2%	\$10	\$198,000
\$25 - \$49	2.9%	\$34	\$368,000
\$50 - \$74	1.6%	\$60	\$359,000
\$75 - \$99	1.1%	\$86	\$336,000
\$100 - \$124	1.3%	\$111	\$521,000
\$125 - \$149	0.6%	\$137	\$308,000
\$150 - \$174	0.7%	\$162	\$424,000
\$175 - \$200	0.4%	\$193	\$253,000
<b>Total</b>	<b>13.6%</b>		<b>\$2,767,000</b>

\*Based on random sample of 2,000 taxpayers.

B&P and DOR estimate that 5.2% of taxpayers filing head of household could owe an average of \$10 when they file their annual remittance return, for a total of \$198,000 in remittance payments (5.2% x 374,502 filers x \$10). Approximately 0.4% of taxpayers filing head of household could owe an average of \$193 when they file their annual remittance return, for a total of \$253,000 in

ASSUMPTION (continued)

remittance payments (0.4% x 374,502 x \$193). Therefore, B&P and DOR estimate that of head of household filers approximately 13.6% could qualify for a payment extension for total remittance payments of \$2.8 million.

Method 1 Summary

For the purpose of this fiscal note, **B&P** and **DOR** assume that taxpayers who owe less than \$25 will not use the payment plan proposed in this bill, but will delay remittance payments from April 15th to June 15th as allowed under this proposal. B&P and DOR further assume that taxpayers applying for the payment plan will not owe their first payment until July 2019, allowing DOR 30 days to process applications.

Table 4 shows the estimated impact to General Revenue, if taxpayers with less than \$25 owed do not apply for the payment plan.

Filing Status	FY19	FY20
Single	\$0 or (\$7,098,000)	\$0 or \$7,098,000
Head of Household	\$0 or (\$2,569,000)	\$0 or \$2,569,000
Married Filing Joint	\$0 or (Unknown)	\$0 or Unknown
<b>Total Impact</b>	<b>\$0 or Greater than (\$9,667,000)</b>	<b>\$0 or Greater than \$9,667,000</b>

B&P and DOR note that this proposal would have to be enacted prior to the individual income tax remittance due date of April 15th, otherwise it would have no effect on taxpayers. Therefore, B&P and DOR estimate that this proposal could reduce General Revenue by \$0 or greater than \$9.7 million in FY 2019. This proposal would then increase General Revenue by \$0 or greater than \$9.7 million during FY 2020. There will be no impact to General Revenue beyond these two fiscal years.

Table 5 shows the estimated payment timing impact by month if this proposal is enacted before April 15th.

Filing Status	April	June	FY19	July	Aug	Sept	Oct	FY 20
			Impact					Impact
Single	(\$7.4)	\$0.3	(\$7.1)	\$1.8	\$1.8	\$1.8	\$1.8	\$7.1
Head of Household	(\$2.8)	\$0.2	(\$2.6)	\$0.6	\$0.6	\$0.6	\$0.6	\$2.6
Married Filing Joint	(Unk)	Unk	(Unk)	Unk	Unk	Unk	Unk	Unk
<b>Estimate</b>	<b>&gt;(\$10.1)</b>	<b>&gt;\$0.5</b>	<b>&gt;(\$9.7)</b>	<b>&gt;\$2.4</b>	<b>&gt;\$2.4</b>	<b>&gt;\$2.4</b>	<b>&gt;\$2.4</b>	<b>&gt;\$9.7</b>

ASSUMPTION (continued)

**METHOD 2**

Using tax year 2017 data, **B&P** and **DOR** determined that there were 407,033 returns with a remittance due of less than \$200. The total amount of remittances due for all such returns was \$28.9 million. B&P and DOR note that of those remittances 108,445 were for \$25 or less.

For the purpose of this fiscal note, B&P and DOR assume that taxpayers who owe less than \$25 will not use the payment plan proposed in this bill, but will delay remittance payments from April 15th to June 15th as allowed under this proposal. B&P and DOR further assume that taxpayers applying for the payment plan will not owe their first payment until July 2019, allowing DOR 30 days to process applications.

B&P and DOR note that this proposal would have to be enacted prior to the individual income tax remittance due date of April 15th, otherwise it would have no effect on taxpayers. Therefore, B&P and DOR estimate that this proposal could reduce FY 2019 Total State Revenue and General Revenue by \$27.7 million. This proposal would then increase General Revenue by \$27.7 million during FY 200. The following table shows the estimated payment timing impact by month if this proposal is enacted before April 15th.

	April	June	FY 19 Impact	July	Aug	Sept	Oct	FY 20 Impact
Remittances < \$25	\$0 or (\$1.3)	\$0 or \$1.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Remittances > \$25	\$0 or (\$27.7)	\$0.0	(\$27.7)	\$0 or \$6.9	\$0 or \$6.9	\$0 or \$6.9	\$0 or \$6.9	\$0 or \$27.7
Estimate	\$0 or (\$29.7)	\$0 or \$1.3	(\$27.7)	\$0 or \$6.9	\$0 or \$6.9	\$0 or \$6.9	\$0 or \$6.9	\$0 or \$27.7

Summary

Combining the estimates for method 1 and method 2, B&P and DOR estimate that, if enacted prior to April 15th, this proposal could decrease General Revenue by greater than \$9.7 million to \$27.7 million in FY 2019. This proposal would then increase General Revenue by greater than \$9.7 million to \$27.7 million during FY 2020. The following table shows the estimated impact from this proposal.



ASSUMPTION (continued)

Method	FY19	FY20
Method 1	\$0 or Greater than (\$9.7M)	\$0 or Greater than \$9.7M
Method 2	\$0 or (\$27.7M)	\$0 or \$27.7M
Total Estimate	\$0 or Greater than (\$9.7M) to (\$27.7M)	\$0 or Greater than \$9.7M to \$27.7M

Officials at the **Joint Committee on Administrative Rules (JCAR)** assume this proposal is not anticipated to cause a fiscal impact beyond current appropriations.

**Oversight** assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

Officials from the **Office of the Secretary of State (SOS)** assume 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** currently does not have the data or resources available to produce independent revenue projections, therefore Oversight uses the same assumptions for revenue growth as the FY 2020 Consensus Revenue Estimate (CRE) for revenue growth in all future years. The CRE assumes an increase in net general revenue collections of \$192.6 million for FY 2020.

**Oversight** notes pursuant to §143.011 - §143.022 (SBs 509 & 496 2014) if the previous fiscal year's net general revenue collections exceed the highest net general revenue collections of the three previous fiscal years by at least \$150 million, then there will be a reduction in the individual income tax rate by one-tenth of a percent and a reduction for individual income tax filers of 5% of "business income." These reductions will reduce net General Revenue collections

ASSUMPTION (continued)

by an estimated \$160.0 million annually. Oversight notes the proposed legislation may impact future net revenue collections and could impact future triggering of the rate reductions required under §143.011 - §143.022.

**Oversight** notes that it **does not currently have the resources and/or access to state tax data** to produce an independent revenue estimate and is unable to verify the revenue estimates provided by B&P and DOR.

Oversight assumes a positive unknown to negative unknown for revenue estimates until we are able to estimate revenue or verify the data and models provided. Oversight will also reflect B&P and DOR's revenue estimates.

<u>FISCAL IMPACT - State Government</u>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
	<b>(6 Mo.)</b>		
<b>GENERAL REVENUE</b>			
<u>Revenue - DOR §143.512 taxpayers</u>	\$0 or (Greater	\$0 or Greater	
being given more time to pay income tax	than \$9,700,000	than \$9,700,000	
	<u>to \$27,700,000)</u>	<u>to \$27,700,000</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON</b>	<b>\$0 or (Greater</b>	<b>\$0 or Greater</b>	
<b>GENERAL REVENUE</b>	<b>than \$9,700,000</b>	<b>than \$9,700,000</b>	
	<b><u>to \$27,700,000)</u></b>	<b><u>to \$27,700,000</u></b>	<b><u>\$0</u></b>

**\* Due to this proposal beginning on January 1, 2019, Oversight has changed the Fiscal Years on the fiscal note.**

**\*\* Oversight assumes a positive unknown to negative unknown for revenue estimates until we are able to estimate revenue or verify the data and models provided. Oversight will also reflect B&P's revenue estimates for the changes to the tax rates.**

<u>FISCAL IMPACT - Local Government</u>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
	<b>(6 Mo.)</b>		
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This may impact small pass-through businesses if they owe less than \$200 in tax year 2018 income tax liability when they file their final remittance return.

FISCAL DESCRIPTION

This bill makes Missouri income taxes due on June 15, 2019 for individuals who timely file an individual tax return for the 2019 tax year, with an outstanding tax liability of less than \$200. Additionally, this bill creates a program designed and administered by the Department of Revenue that allows individuals who timely file an individual tax return for the 2019 tax year, with an outstanding tax liability of less than \$200, to pay their Missouri income taxes in a series of equal installments without interest or penalties from June 15, 2019 to October 15, 2019.

The Department of Revenue will develop and publish an application for the program that participants must submit to the department no later than June 1, 2019.

The bill includes an emergency clause.

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  
Joint Committee on Administrative Rules  
Office of Administration Division of Budget and Planning  
Office of the Secretary of State



Kyle Rieman  
Director  
February 25, 2019

Ross Strobe  
Assistant Director  
February 25, 2019