

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3527H.05C  
Bill No.: HCS for SS for SB 807  
Subject: Business and Commerce; Taxation and Revenue - General  
Type: Original  
Date: May 2, 2022

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Bill Summary: This proposal modifies provisions relating to business entities.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
<b>FUND AFFECTED</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>Fully Implemented (FY 2029)</b>
General Revenue Fund	Could exceed (\$9,985,360)	Could exceed (\$26,777,731)	Could exceed (\$41,888,370)	Could exceed (\$47,901,443)
<b>Total Estimated Net Effect on General Revenue</b>	<b>Could exceed (\$9,985,360)</b>	<b>Could exceed (\$26,777,731)</b>	<b>Could exceed (\$41,888,370)</b>	<b>Could exceed (\$47,901,443)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>Fully Implemented (FY 2029)</b>
Various State Funds	(unknown) to Less than \$250,000	(unknown) to Less than \$250,000	(unknown) to Less than \$250,000	(unknown) to Less than \$250,000
Missouri Veterans Health & Care Fund	\$41,148,518	\$18,768,761	\$9,223,100	Could exceed \$9,223,100
<b>Total Estimated Net Effect on <u>Other State Funds</u></b>	<b>Less than \$41,148,518</b>	<b>Less than \$18,768,761</b>	<b>Less than \$9,223,100</b>	<b>Could exceed \$9,223,100</b>

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2029)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2029)
General Revenue – DOR	5 FTE	5 FTE	5 FTE	5 FTE
General Revenue – DED	3 FTE	3 FTE	3 FTE	3 FTE
Missouri Veterans Health & Care Fund – DHSS (SSMR)	166 FTE	166 FTE	166 FTE	166 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>173 FTE</b>	<b>173 FTE</b>	<b>173 FTE</b>	<b>173 FTE</b>

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☒ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2029)
<b>Local Government</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

#### **Section 34.195 State Contracting**

Officials from the **Department of Revenue (DOR)** assume this section requires that the Office of Administration file an annual report with the General Assembly on the number of contracts issued to companies in business for less than 3 years. This section is not expected to have a fiscal impact the Department.

Officials from the **Office of Administration - Budget and Planning** assume this section of the provision will have no fiscal impact on their organization.

In response to a similar proposal (HB 1590), officials from the **Office of Administration (OA)** stated this bill requires OA to file a report annually with the General Assembly about the number of contracts awarded to contractors who have been in business for less than 3 years. This will require FMDC to examine each of its awarded contractors to determine how long they have been in business and to track such information in order to create the report. FMDC estimates that this will take approximately 1 hour per awarded contract. FMDC awards approximately 500 contracts per year. FMDC assumes it will also need to update its bid/contract forms in order to gather necessary information from contractors and update its internal policies and procedures to sets standards about how this determination will be made. FMDC estimates that it will take approximately 200 hours of initial work to develop and implement these changes. Therefore, the estimate impact to staff time from this section is 700 hours at a rate of \$36.70 totaling \$25,690.

Oversight assumes OA could implement this part of the proposal with existing resources.

#### **Section 71.990 Political Subdivisions Regulating Home-Based Businesses**

In response to similar legislation from 2022, (Perfected HB 2593), officials from the **City of Kansas City** assume this provision could have a negative fiscal impact on the City in lost revenue from business license fees or taxes.

In response to similar legislation from 2019, HCS for HB 473, officials from the **City of St. Louis** assume municipalities will no longer be able to require a person to apply for, register for, or obtain any permit, license, variance, or other type of prior approval to operate a no-impact home-based business. The City currently issues business licenses for said businesses, which would be prohibited under the proposed legislation. With an annual cost of \$25, licenses for home businesses generated \$12,467 in 2018 and this amount would no longer be collected. The City will also have to modify its ordinances to comply with the new legislation. The new legislation would also seriously affect the Building Division's ability to regulate problem uses in residential areas.

In response to similar legislation from 2019, HCS for HB 473, officials from the **City of Osage Beach** assumed costs may increase as additional investigations will result from citizen complaints about neighborhood activity, or to ensure that such home based business is in compliance with the permitted uses under this bill, especially sections 3 and 4. The City anticipates up to 10 inspections per year for 4 hours of work at \$30 per hour for a total cost of \$1,200.

In response to similar legislation from 2019, HCS for HB 473, officials from the **City of Liberty** assumed this provision would not allow cities to limit home based businesses, specifically the number of people who can be on the residential “Home Based Business” property at one time. It seems that as long as the products being sold are not illegal or considered “bad”, the only limiting factor would be on-site parking. This is problematic as the City has many large lot residential properties who could create a parking lot to accommodate a retail location. This provision also removes a City’s authority to require sprinkler systems for these homes that will now be able to be used in a commercial manner. By not allowing cities to require a business license will remove the City’s ability to regulate these businesses to ensure the safety and welfare of their citizens.

**Oversight** assumes there could be additional investigations done by local political subdivisions as a result of this provision. However, Oversight is unclear on the number of inspections and cost that could be incurred. Therefore, **Oversight** will reflect an unknown amount of lost permit/license revenue and/or inspection costs that could exceed the municipalities’ numbers for local political subdivisions from this provision.

In response to similar legislation, (Perfect HB 2593), officials from the **Attorney General’s Office**, the **Department of Economic Development** and the **Department of Revenue** each assumed the provision will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies for this section.

In response to similar legislation, (Perfect HB 2593), officials from the **City of Springfield** assumed the provision will have no fiscal impact on their organization.

In response to similar legislation, (Perfect HB 2593), officials from the **Department of Commerce and Insurance**, the **Department of Natural Resources**, the **Department of Public Safety’s Office of the Director**, the **Department of Health and Senior Services**, the **Department of Revenue**, the **Joint Committee on Administrative Rules**, the **City of Claycomo**, the **City of O’Fallon** and the **Newton County Health Department** each assume the provision will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies for this section.

**Oversight** only reflects the responses received from state agencies and political subdivisions; however, other cities, counties and county health departments were requested to respond to this

proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System database is available upon request.

### **Section 64.008, 65.710 & 89.500 Home Based Businesses**

In response to similar legislation, (SCS for SB 809), officials from the **Department of Labor and Industrial Relations (DOLIR)** assume that the Division of Labor Standards can absorb the costs of this bill with current resources. However, if the workload significantly increased or other legislation was enacted, additional resources would be requested through the appropriation process.

**Oversight** notes currently an employer must keep and maintain certificate (for minimum of two years) for any child, less than 16 years old, who is in his or her employ in the entertainment industry. This provision removes the age requirement from each statute in Section 294.080 and would allow the employer to accept an issuance of proof of age of a child including birth certificate, driver's license or other identification card issued by the division of motor vehicle and drivers licensing, school records, insurance records, or other documentary evidence prescribed by the division. Additionally, 294.080.3 specifically notes "this section shall not be construed to mandate an employer or child obtain a work certificate as evidence of age."

**Oversight** notes the following receipts were made in to the Child Labor Enforcement Fund (0826) in the past three years:

FY 2021	\$10,725
FY 2020	\$14,675
FY 2019	\$ 3,350

Additionally, officials from the DOLIR provided further explanation of the impact on the funds via e-mail and noted:

The Department cannot estimate what the loss would be because by extending the requirement to 18 year olds, the Child Labor Enforcement agency may collect more fines elsewhere but the agency wouldn't be able to fine for not having a work permit.

**Oversight** notes that the average collection of fines, from Child Labor Enforcement Agency, were less than \$15,000 annually as shown above. For purpose of this fiscal note, **Oversight** will reflect zero fiscal impact in the fiscal note for these sections.

Officials from the **Department of Revenue (DOR)** assume these provisions will not fiscally impact the Department.

In response to similar legislation, (SCS for SB 809 ), officials from the **Office of Administration, the Office of the Governor, Attorney General's Office, Department of Social Services, the Department of Revenue, the Department of Commerce and Insurance, the Department of Corrections, the Department of Public Safety (Fire Safety, Director's**

**Office, Gaming Commission, National Guard, Highway Patrol, State Emergency Management), the Department of Economic Development, the Missouri Department of Transportation, Missouri Ethics Commission, the Joint Committee on Public Employee Retirement, the Department of Mental Health, the MODOT – Patrol Employees’ Retirement System, the Missouri House of Representatives, the Missouri Senate, the Joint Committee on Education, the Legislative Research, the Oversight Division, the Missouri Lottery, the Missouri Consolidated Health Care Plan, the Missouri Office of Prosecution Services, the Missouri State Employee's Retirement System, the State Tax Commission, the Office of the State Treasurer, the Missouri State University, the University of Central Missouri, the Missouri University System, the City of Kansas, the City of O’Fallon, and the City of Claycomo** each assume the provision will have no fiscal impact on their organizations. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact in the fiscal note for above organizations for these sections.

### **Section 92.111 & 92.115 Earnings Tax**

In response to similar legislation (HCS for HB 1740 ), officials from the **Office of Administration - Budget and Planning (B&P)** assume the proposal may increase Total State Revenue (TSR) by \$362,435 to \$419,096 in FY 23 and have an unknown impact to TSR in future years. This proposal will also impact the calculation under Article X, Section 18(e).

This proposal would exempt nonresident workers of Kansas City and St. Louis City from their 1% earnings tax, for the days that the nonresidents worked remotely. The proposal would begin with all tax returns filed after January 1, 2022. B&P notes that such tax returns would be for tax year 2021 earnings.

B&P further notes that the height of remote working, related to the COVID-19 pandemic, was tax year 2020. Tax returns for tax year 2020 would have been filed during calendar year 2021, and while non-resident workers have up to one year after a return is filed to apply for a refund from the City of St. Louis, this proposal requires the initial return to be filed during 2022 or later. Therefore, this proposal will only impact earnings during tax year 2021 or later.

B&P notes that currently Kansas City is already exempting nonresident remote workers from the earnings tax for the days that nonresident employee worked remotely. Therefore, B&P assumes that this proposal will not impact earnings tax revenues in Kansas City.

B&P notes that St. Louis City is not exempting nonresident income for days that the nonresident worked remotely.

B&P is unable to determine the number of working days that nonresidents work remotely; therefore, the estimates below reflect the maximum amount of revenue impacts to St. Louis City and state general revenue. Actual revenue impacts per year may vary depending on the level of actual remote work that occurs.

Based on data published by the U.S. Census Bureau 57.1% of St. Louis City residents are employed within city. Based on data previously published by MERIC (Missouri Economic Research and Information Center) approximately 5.8% of workers in St. Louis reside in Illinois. Therefore, B&P estimates that approximately 37.1% of St. Louis City workers reside within Missouri, but outside of St. Louis City.

Using data published by St. Louis City<sup>1</sup>, B&P determined that earnings tax collections for FY20 was \$156,910,000. Therefore, B&P estimates that of the \$156,910,000 approximately \$89,595,610 comes from St. Louis City residents who work within the city, \$9,100,780 comes from Illinois residents, and \$58,213,610 comes from Missouri residents outside of St. Louis City. B&P notes that city residents would still be liable for the tax because of their residency status. Therefore, B&P estimates that this provision could reduce St. Louis City earnings tax by \$67,314,390 (\$156,910,000 total earning tax - \$89,595,610 St. Louis City residents).

B&P notes that some taxpayers claim the amount of earnings tax paid to St. Louis City in their itemized deductions. Based on information provided by DOR, B&P determined that 12% of Missouri taxpayers itemize their deductions. B&P further notes that residents outside of Missouri are not liable for Missouri income tax on the days where they worked remotely. Therefore, B&P estimates that \$6,917,558 to \$7,999,009 [(\$58,213,610 MO residents x 12%) + (\$0 to \$9,100,780 Illinois residents x 12%)] in deductions would no longer be claimed on Missouri's individual income tax returns.

However, deductions do not impact revenues on a dollar for dollar bases, but rather in proportion to the top tax rate applied. B&P notes that the top income tax rate for tax year 2022 is 5.3%, with additional reductions scheduled to occur.

B&P notes that this proposal would not become effective until August 28, 2022 after tax year 2021 returns have been filed (April 2022). Therefore, B&P will assume that this proposal will not impact state revenues until tax year 2022 returns are filed in April 2023.

Therefore, B&P assumes that this provision may reduce St. Louis City earnings tax revenue by less than \$67,314,390 in FY23. In addition, this proposal may increase general revenue by less than \$362,435 to \$419,096 (top tax rate 5.3%) in FY23.

**Oversight** notes the 12% itemized deduction percentage used by B&P is a rounded percentage. B&P stated to Oversight that the percentage is closer to 11.88% in the calculation of their numbers above. **Oversight** does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the B&P.

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<sup>1</sup> <https://www.stlouis-mo.gov/government/departments/comptroller/documents/current-comprehensive-annual-financial-report.cfm>, FY20 CAFR – Table 9, page 213

In response to a previous version, officials from the **City of St. Louis** stated the Earnings Tax is the City's single largest source of revenue amounting to over a third of the general fund budget. Total receipts in FY2020 exceeded \$175M. The proposed legislation would eliminate the Earnings Tax on nonresidents of the City who telecommute or work remotely. While there is no definitive total of the portion of the Earnings Tax this would represent, it is fair to assume that with approximately half or more of earnings tax receipts coming from non-residents, the subset of these who telecommute particularly in a year which encompassed a pandemic would be substantial. A loss of revenue of this magnitude would be a devastating blow to the City's credit and fiscal condition, and would seriously impair the City's ability to provide basic City services. The following illustration shows the order of magnitude of these Earnings tax receipts:

**1/2 Earnings Tax receipts are:**

- Over half the total of the FY20 general fund expenditure of the Police Department at \$167.5M

**Or:**

- More than the entire Fire Department budget at \$64.3M

**Or about equivalent to the costs of these services:**

- Corrections and Juvenile Detention: \$46.6M
- Forestry Division trimming, weeding, and debris: \$7.9M
- Park Maintenance: \$8.5M
- Street Maintenance and Repair: \$7.1M
- Street and Alley Lighting: \$9.6M
- Building Code Compliance and Permits: \$7.9M

The potential loss of revenue in the range of \$90M annually would jeopardize the City's ability to maintain basic City services.

In addition to General Revenue, there would be a similar negative impact on all TIF developments which utilized a portion of the Earnings tax receipts in its financings, an amount which totaled \$5.5M in FY20.

Officials from **City of Kansas City** assume this provision would have a potentially large positive impact on Kansas City by allowing the City the certainty of knowing that it can maintain its earnings tax for 10 years instead of 5 years after a vote of approval and would save Kansas City money by not having to pay for an election every 5 years.

Officials from the **City of St Louis Budget Division** assume this provision would have an impact on the City of St. Louis as the revised section 92.111 would eliminate the Earnings Tax on nonresidents of the City who telecommute or work remotely.

Officials from the **Department of Revenue (DOR)** assume these provisions will not fiscally impact the Department.



### **Section 143.022 & 143.071 Corporate Tax Rate**

Officials from the **Department of Revenue (DOR)** assume this provision in Section 143.022 would tax pass-through business income in a separate manner from other individual income for new businesses created after January 1, 2023. The Department notes that this would apply to S-corporations, Sole Proprietorships, Partnerships, and Limited Liability Companies (LLCs). Section 143.022 currently allows a subtraction from an individual's federal adjusted gross income of a percentage of the individual's business income. The percentage that may be subtracted is described in subsections 4-6. This provision would be amended to add subsections 7 and 8. Subsection 7 defines "new business income" as business income from a taxpayer that begins business operations in the state on or after January 1, 2023. Subsection 8 provides for a reduction in the new business income left after the subtraction in subsection 2. This allows for the first \$100,000 in remaining income to be reduced 20% for each of the first three years the business is in operation.

#### Exempted Income

Year of Operation	Income Limit	% Exempt	\$ Exempt
1	\$100,000	20.0%	\$20,000
2	\$100,000	20.0%	\$20,000
3	\$100,000	20.0%	\$20,000

This provision would create a new corporate business income tax structure for C-corporations created after January 1, 2023 in Section 143.071.

Section 143.071 currently imposes corporation income tax at a rate of 4%. It would be amended to add new subsections 4 and 5. Subsection 4 defines "eligible new corporation" (begins operation in the state on or after January 1, 2023) and subsection 5 imposes a tax on each "eligible new corporation." As described, there is a new tax rate of 3% on the first \$100,000 of income. Anything over the first \$100,000 is taxed at the 4% rate. In year four the rate for all businesses is 4%.

Table 2: Income Thresholds for Taxation for Corporations

Years of Operation	Lower Income	Tax Rate	Higher Income	Tax Rate
1	\$100,000	3.0%	\$100,001	4.0%
2	\$100,000	3.0%	\$100,001	4.0%
3	\$100,000	3.0%	\$100,001	4.0%
4	all income			4.0%

Based on the 2017 Annual Business Survey (the most complete year available) published by the U.S. Census Bureau the following chart shows the number of firms by length of operations and their average annual revenue in Missouri.

Businesses in Missouri

Years of Operation	Number of firms	Average Annual Revenue
< 2	18,032	\$520,550
2 to 3	15,104	\$639,351
4 to 5	10,637	\$1,013,027
6 to 10	16,808	\$1,341,666
11 to 15	16,568	\$1,864,366
> 15	39,007	\$15,337,429

Using the above information and information published by the National Small Business Association the following chart shows the estimated number of firms for each formation type.

Estimated Businesses by Formation

Years of Operation	Number of firms	LLC (35%)	S-Corp (33%)	C-Corp (19%)	Sole Proprietor (12%)	Partnerships (2%)
< 2	18,032	6,275	5,914	3,390	2,128	325
2 to 3	15,104	5,256	4,954	2,840	1,782	272
4 to 5	10,637	3,702	3,489	2,000	1,255	191
6 to 10	16,808	5,849	5,513	3,160	1,983	303
11 to 15	16,568	5,766	5,434	3,115	1,955	298
> 15	39,007	13,574	12,794	7,333	4,603	702
Total	116,156	40,422	38,098	21,838	13,706	2,091

### Corporate Income Tax

As of January 1, 2020 the corporate tax rate under Section 143.071 is 4.0%. Using the business information above, the Department was able to calculate an individual firm's income tax currently and what it would be under the provision. DOR found that most businesses would save about \$1,000 for each of the first 3 years in operation. Shown is the estimated impact per firm.

### Corporate Income Tax Impacts

Year of Operation	Number of Businesses	Current Estimated Taxes	Proposed Estimated Taxes	Difference in Taxes Owed
1	3,390	\$20,822	\$19,822	(\$1,000)
2	2,840	\$25,574	\$24,574	(\$1,000)
3	2,840	\$25,574	\$24,574	(\$1,000)
4	2,000	\$40,521	\$40,521	\$0

To account for the number of business closures within the first five years of operation, the Department utilized the number of firms operating less than 2 years, between 2 and 3 years, and between 4 and 5 years. As the table shows below reducing the corporate income taxes will result in a loss to general revenue of up to \$9,070,000 annually by tax year 2025.

Corporate Income Tax  
Loss by Tax Year

Tax Year	GR Loss
2023	(\$3,390,000)
2024	(\$6,230,000)
2025	(\$9,070,000)
2026	(\$9,070,000)
2027	(\$9,070,000)
2028	(\$9,070,000)

Based on historical revenue receipts, 50% of corporate income taxes are remitted during FY1 and 50% are remitted during FY2. Since this provision would begin at the beginning of a firm's tax year, the Department assumes the corporations will adjust their declarations payments during the first fiscal year. Therefore, this provision will reduce TSR and GR by approximately \$1,695,000 in FY23. Once fully implemented in FY26, this provision will reduce TSR and GR by \$9,070,000 million annually.

Corporate Income Tax  
Loss by Fiscal Year

Fiscal Year	GR Loss
2023	(\$1,695,000)
2024	(\$4,810,000)
2025	(\$7,650,000)
2026	(\$9,070,000)
2027	(\$9,070,000)
2028	(\$9,070,000)
2029	(\$9,070,000)

Individual Income Tax

LLCs, S-Corporations, Sole Proprietorships, and Partnerships are all “pass-through” entities and owners of such firms report business income on their individual income tax form and not on a corporate income tax form. Per SB 509 & SB 153 reductions occur in the individual income tax rate based on growth in net general revenue. The individual income tax rate for FY 2022 is 5.3%. The individual income tax rates are shown below.

Additionally, Section 143.022, grants pass-through businesses an income exemption on a portion of their business income. Currently 15% of business income for pass-through business income is tax exempt. One more 5% increase is scheduled to occur pending SB 509 triggering. Under this provision, these newly created pass-through businesses would still be allowed to use this income exemption. The chart below shows when this reduction is scheduled to occur.

Based on current revenue forecasts and average revenue growth the following charts shows the forecasted individual income tax and business exemption rates.

Estimated Individual Income Tax Reductions

Tax Year	Top Rate	Pass-Through Exemption	Enacting Bill
2017	6.0%	0%	
2018	5.9%	5%	SB 509 (2014)
2019	5.4%	10%	SB 509 (2014) & HB 2540 (2018)
2020	5.4%	10%	
2021	5.4%	10%	
2022	5.3%	15%	SB 509 (2014)
2023	5.3%	15%	
2024	5.2%	20%	SB 509 (2014) and SB 153 (2021)
2025	5.1%	20%	SB 509 (2014)
2026	5.0%	20%	SB 509 (2014)
2027	4.9%	20%	SB 153 (2021)
2028	4.8%	20%	SB 153 (2021)

Based on all these changes that are scheduled to occur and the changes made by this provision, they expect to see a reduction per firm of taxes owed of \$1,020 to \$1,060 per year for a business started in tax year 2023. Businesses starting in future years may face a different income tax structure due to rate reductions and income exemption increases (SB 509 changes) scheduled to occur. The below table shows the estimated impact for firms established in tax year 2023.

Pass-Through Income Tax Impacts for Businesses Started in  
 Tax Year 2023\*

Year of Operation	Number of Businesses	Current Estimated Taxes**	Proposed Estimated Taxes**	Difference in Taxes Owed
1	14,642	\$23,451	\$22,391	(\$1,060)
2	12,264	\$26,597	\$25,557	(\$1,040)
3	12,264	\$26,086	\$25,066	(\$1,020)
4	8,637	\$40,521	\$40,521	\$0

\*This is only the tax structure for businesses started in 2023.

\*\*The estimates for current and proposed taxes accounts for the top rate reductions and business income exemptions under SB 509 (2014) and SB 153 (2021).

To account for the number of business closures within the first three years of operation, DOR utilized the number of firms operating less than 2 years and those between 2 and 3 years. DOR estimates that in total, this provision may reduce individual income taxes by \$37,603,200 annually by tax year 2028. The table shows the estimated impact by tax year.

Table 10: Individual  
 Income Loss by Tax  
 Year

Tax Year	GR Loss
2023	(\$15,520,520)
2024	(\$27,982,240)
2025	(\$39,953,400)
2026	(\$39,170,000)
2027	(\$38,386,600)
2028	(\$37,603,200)

Since this provision begins at a firm's tax year, individuals will adjust their withholdings and declarations during the first fiscal year. Historically, 42% of individual income taxes are remitted during FY1 and 58% are remitted during in FY2. Therefore, this provision will reduce TSR and GR by \$6,518,618 million in FY23. Once fully implemented in FY29, this provision will reduce TSR and GR by \$37,603,200 million annually. The estimated impact by fiscal year.

Individual Income Loss  
by Fiscal Year

Fiscal Year	GR Loss
2023	(\$6,518,618)
2024	(\$20,754,442)
2025	(\$33,010,127)
2026	(\$39,624,372)
2027	(\$38,840,972)
2028	(\$38,057,572)
2029	(\$37,603,200)

Summary

The total impact to the state:

Table 12: Summary of  
GR Impact

Fiscal Year	GR Loss
2023	(\$8,213,618)
2024	(\$25,564,442)
2025	(\$40,660,127)
2026	(\$48,694,372)
2027	(\$47,910,972)
2028	(\$47,127,572)
2029	(\$46,673,200)

Administrative Impact

This provision would require an entire separate regime to impose a separate rate of taxes. This would involve programming changes and possible new FTEs. This provision requires the Department have the burden of ensuring compliance to determine which year of operation the business is in. There currently are not any solid resources to confirm that determination. New forms, programming and staff would be needed. At this time the exact fiscal impact is unknown.

The Department anticipates that this proposed section would require a totally new program that would require the Department to contract with a provider. The Department believes the fiscal impact for this could be greater than \$1 million. The Department will continue to research and update when needed.

The Department assumes it will need at least 3 additional Auditors to start. Depending on the number of audits required to ensure compliance, the number of auditors could increase in future

years. Additionally they will need the following FTE if the amount of correspondence justifies the FTE.

1 FTE Revenue Processing Technician for every 14,700 errors created

1 FTE Revenue Processing Technician for every 5,700 pieces of correspondence generated

For the purposes of this fiscal note, **Oversight** will report the three (3) FTE Auditors and (2) FTE technicians required by the Missouri Department of Revenue. In addition, Oversight will show the cost of new computer program modifications as estimated by DOR. Oversight notes DOR based the estimate on other major upgrades DOR has done to the income tax system and will continue to research and update when needed.

For purposes of this fiscal note, **Oversight** will report the impact to GR as a result of both the corporate and individual income tax changes as reported by B&P and DOR, summarized in the table below:

Fiscal Year	GR Loss Individual Income Tax	GR Loss Corporate Income Tax	Total GR Loss
2023	(\$6,518,618)	(\$1,695,000)	(\$8,213,618)
2024	(\$20,754,442)	(\$4,810,000)	(\$25,564,442)
2025	(\$33,010,127)	(\$7,650,000)	(\$40,660,127)
2026	(\$39,624,372)	(\$9,070,000)	(\$48,694,372)
2027	(\$38,840,972)	(\$9,070,000)	(\$47,910,972)
2028	(\$38,057,572)	(\$9,070,000)	(\$47,127,572)
2029	(\$37,603,200)	(\$9,070,000)	(\$46,673,200)

### **Section 143.081 Tax Credit for S-Corporation**

Officials from the **Department of Revenue (DOR)** assume this provision would allow a resident shareholder in an S-Corp to be eligible for a credit issued pursuant to this section in an amount equal to the shareholder's pro rata share of any income tax imposed pursuant to chapter 143 on income derived from sources in another state of the United States, or a political subdivision thereof, or the District of Columbia, and which is subject to tax pursuant to chapter 143 but is not subject to tax in such other jurisdiction.

S-Corps are required to file a MO-1120S (S-Corporation Income Tax Return) with the Department of Revenue annually. One of the questions on the form requires S-Corps to disclose if any of the income they receive is from sources other than those located in Missouri. Of the 87,907 S-Corps that completed the 2018 MO-1120S form less than 1% indicated income outside Missouri.



The Department is unable to estimate the amount of the income that was reported as out of the state. Additionally, the Department cannot determine if any of that income is from jurisdictions that do not tax. The Department assumes an unknown impact that could exceed \$250,000 annually.

No administrative fiscal impact is expected to the Department of Revenue from this provision.

**Oversight** is unable to estimate the amount of out of state income reported. Therefore, Oversight will show a negative unknown impact that could exceed \$250,000 annually for this section.

#### **Section 143.114 Employee Stock Ownership**

In response to similar legislation from 2016 (HB 2030), officials from the **Missouri Department of Revenue (DOR)** state they are unable to determine the exact amount of capital gains that may qualify for the deduction provided in this provision but have assumed 1% of net capital gains reported by both individual and corporate income taxpayers will qualify. DOR states that based upon the 1% assumption, individual income tax revenue will be reduced by approximately \$1,100,000 annually and corporate income tax revenue will be reduced by approximately \$9,200,000.

Officials from the **Department of Revenue (DOR)** assume this provision extends the sunset date on the employee stock ownership deduction. The Department notes that from 2017-2020 (the last most complete year of data) only \$722,342 was claimed under this deduction. It should be noted that no one claimed this credit in 2017, 17 people claimed it in 2018 and less than 10 claimed it in each of 2019 & 2020. If extended this would result in an unknown loss to general revenue.

**Oversight** is unable to estimate the amount to be claimed under this deduction if the sunset date were extended. Therefore, **Oversight** will show a negative unknown impact for this provision.

Officials from the **Office of Administration - Budget and Planning (B&P)** stated the provision defines taxpayer to include corporations, but only allows for a deduction from a taxpayer's Federal adjusted gross income, and further states corporations have taxable income rather than adjusted gross income. B&P used a 1% of capital gains reported to estimate the fiscal impact. Based upon the 1% assumption, B&P estimates this provision would reduce Total State Revenue by \$1.1 million in FY 2018 and thereafter if it applies only to individual taxpayers.

**B&P** assumed there is no mechanism that would allow corporations to take this deduction.

#### **Section 143.121 Medical Marijuana Subtraction**

Officials from the **Department of Revenue (DOR)** assume this provision would allow medical marijuana businesses a subtraction from the federal adjusted gross income the amount that would have been allowed from the computation of the taxpayer's federal taxable income if the income were not disallowed solely from them being a medical marijuana business. Under federal law marijuana is a controlled substance and businesses selling it are not allowed some deductions that other businesses are entitled to. Since marijuana is allowed to be sold in Missouri, this would allow them to adjust their federal adjusted gross income before calculating their Missouri adjusted gross income.

This would require the Department to make an independent interpretation of federal law on what would or would not be an allowable federal deduction. The Department is unable to calculate the amount of income and deductions that these businesses could possibly be allowed to deduct under this provision. The Department assume this could result in an Unknown that could be significant negative fiscal impact to general revenue and total state revenue.

This bill would become effective August 28, 2022, and with no specific start date it would allow people to start filing for this immediately. Therefore, DOR will show the impact starting in FY 2023.

This would require a change to the Forms MO-A and the MO-1120. The Form MO-A has a selection of check boxes for a set of "other" subtractions, so a new line would not necessarily be required. The Form MO-1120 does not currently have this checkbox option, so it would either require a new line or a reformatting of the subtractions in Part 2.

Additionally, this would require them to update their individual income tax computer system. These changes are estimated to cost \$11,579.

The Department notes if may need the following FTE if the volume of returns justify the FTE.

- 1 FTE Revenue Processing Technician for every 14,700 errors created
- 1 FTE Revenue Processing Technician for every 5,700 pieces of correspondence generated
- 1 temporary employee for new line item

**Oversight** assumes the Department of Revenue is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs for computer upgrades related to this provision. Given the few number of potential qualifiers of this deduction, Oversight assumes DOR can absorb the administrative impact of this provision.

In response to similar legislation (Perfected SS for SB 807), officials from the **Department of Health and Senior Services** state as of January 7, 2022, the number of medical marijuana facilities approved to operate in Missouri were as follows:

Testing Labs – 8

Cultivation – 41

Manufacturing – 58

Dispensary – 181  
Transportation – 20

**Oversight** notes that it does not currently have the resources and/or access to state tax data to produce an independent estimate to the GR impact from this provision. **Oversight** notes that the bill becomes effective August 28, 2022. Therefore, **Oversight** will show a reduction to TSR and GR by an unknown, but possibly significant, amount beginning with FY23.

In response to similar legislation (SB 807), officials from the **Department of Health and Senior Services** assume the provision will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this organization for this section.

### **Section 143.436 SALT Parity Act**

Officials from the **Department of Revenue (DOR)** assume under the Tax Cut and Jobs Act (2017) the federal government limited the amount of state and local taxes (SALT) an individual could deduct for federal income tax purposes to no more than \$10,000 (\$5,000 for those married filed separately) annually. However, there were no changes to the limitations on the amount of a deduction connected with a business entity directly.

Capping the amount of the SALT deduction at the federal level resulted in fewer taxpayers being able to reduce their federal tax liability.

Under current law a pass-through entity's (S Corporations or Partnership) shareholders pay income tax on the shareholder's pro rata share of the entity's income attributable to Missouri. They file their share on their individual income tax return rather than the business entity filing a corporate income tax return. Therefore, each member reports their proportion of the entity's whole income. Therefore, each of the individual members is subject to the \$10,000 SALT limit on their return.

This provision creates the SALT Parity Act. The purpose of the act is to help companies increase the amount of itemized deductions they can claim at the federal level by finding a work-around of the \$10,000 SALT deduction. Increasing their itemized amount would result in a savings to taxpayers, as their federal tax liability would decrease.

A business entity is not bound by the \$10,000 limit. So a plan was created in several states and appears to be allowed by the federal government that would allow the business entity to report the group's income and pay the taxes of the group as a whole. The business entity then receives the greater itemized deduction on their federal return and lowers their overall tax liability. This results in a savings to the business entities.

This provision is setting up this work around at the state level for Missouri businesses. This provision in Section 143.436.3 & 143.436.4 would allow partnerships and S Corporations to

pay as a whole. The partnership or S Corp would report income for the whole business and file a return on behalf of the entire group. For tax years beginning on or after January 1, 2023, this act would allow the pass-through business entity to elect to pay a company tax. The tax is to equal the sum of each member's income and loss items, as described in federal law, reduced by a deduction allowed for qualified business income, as described in federal law, and modified by current provisions of state law relating to the taxation of pass-through entities, with such sum multiplied by the highest rate of tax in effect for the state personal income tax rate.

Per this provision they would be required to use the highest individual income tax rate for the tax rate. That rate is currently 5.3% for TY 2022. Currently, if members of the business entity pay taxes, the amount paid depends on their income and which tax bracket they are assessed at. Having these business entities pay the state the highest individual income tax rate could potentially result in an increase in revenue to the state as opposed to each member filing separately.

Upon filing the business entity tax return, the business entity notifies the Department of its election to file as a group and provides a report to the Department of the proportional share of income earned and tax paid of each member. The individual members of the business entity are then required to file an individual income tax return. They must report the amount of the pro rata share that was paid by the business entity. They are then allowed a credit against the tax already paid by the business entity.

The credit is equal to 100% of their pro rata share of the tax paid. This provision states these credits are not refundable but can be carried over until fully taken. The lack of refundability of the credits could result in some members not being able to use their credits. If credits are never redeemed this results in revenue to the state.

This provision is Section 143.436.11 requires these business entities to annually elect whether or not to participate in this business entity tax program. This program is strictly voluntary. Due to the voluntary nature of this program, the Department is not able to determine how many potential S Corps or partnerships would chose to participate each year.

The Department assumes that business entities would chose to participate based on what is best for the majority of its members. While a business entity may choose what is best for the majority of its members, some members may not see a benefit under this program. Individual income tax returns are specific to each taxpayer's life situation. Two people with the same job and same income may have very different life situations that can impact the amount of tax liability they will have. One may be married with kids while the other may be single with no kids but an illness that requires extensive medical payments. Their final tax liability may be different.

Is it possible that due to an individual's life situation they end up owing less in taxes to the State than they otherwise would have if their business reported under current law? It is possible. It is

also possible they could owe more. Depending on which happened, additional or less revenue to the state is possible.

The Department notes it is unable to estimate the actual fiscal impact of this provision. The Department cannot predict the number of business entities that would chose to participate in this voluntary program. Nor are they able to predict how many of the individual taxpaying business entity members would benefit or be hurt by this provision. The Department notes that business entity members would benefit from the increased federal deduction and receive a savings on their federal return. However, based on the taxes paid by the business entity as a whole and the credits provided the members this provision would not result in more than a minimal impact to the state.

The Department notes this provision would ease an administrative burden on the Department. Under current law, in order to audit the Department spends a lot of time trying to identify all the members of a business entity to ensure all the tax is paid. With the business entities filing the taxes and reporting the number of partners and pro rata share of the income, this would allow the Department to more easily audit these businesses, saving time and resources. This provision with the previous partnership audit reporting laws that passed in 2020 will ease some of the time consuming tracking of these business entities. The amount of the impact can't be determined due to the voluntary nature of the program.

The Department notes this will require making changes to their existing tax reporting forms and potentially the creation of a new form for identifying the business entity members and their pro rata share. These changes are estimated to cost \$5,000. Additional programming and other website updates would result in \$3,596 in costs.

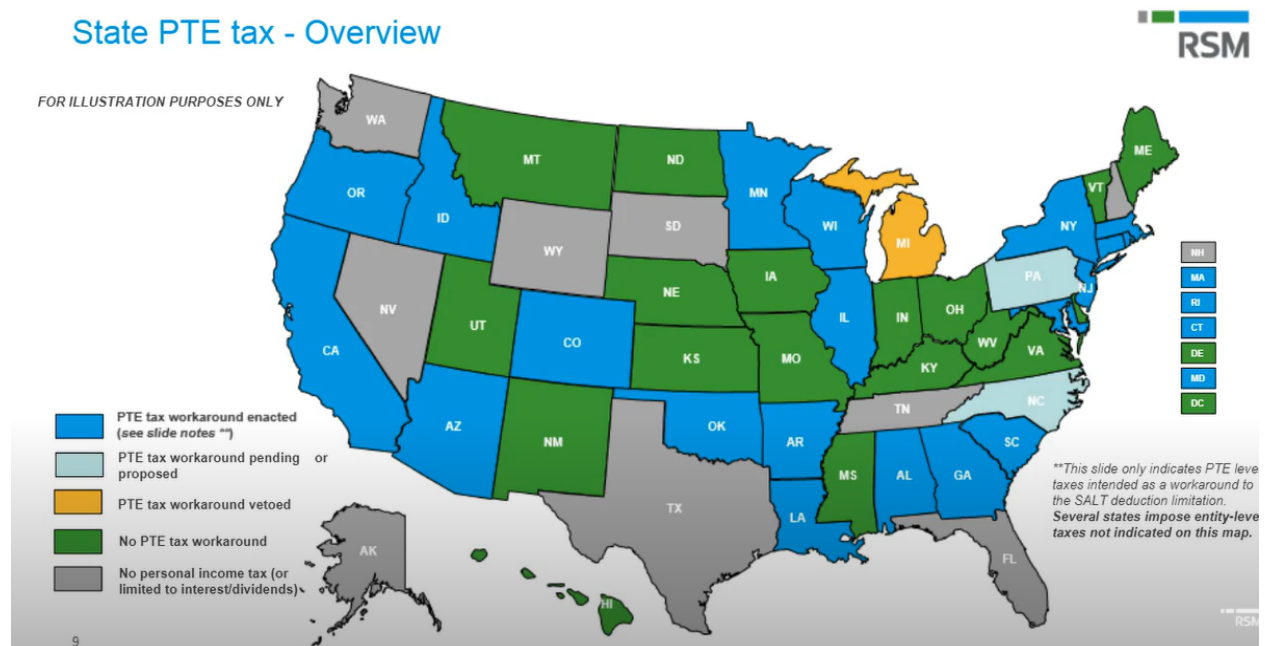
**Oversight** assumes the Department of Revenue is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the form and programming (administrative) costs related to this provision. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process. Officials from the DOR assume the provision will have minimal fiscal impact on their organization.

**Oversight** notes that **DOR** and **B&P** both note the deductions for purpose of the state and local taxes (SALT) paid by pass-through business owners are currently capped at \$10,000. Conversely, C corporations are allowed to fully deduct these same expenses. In states that tax pass-through firms at the owner level, the disparate treatment puts their firms at a significant disadvantage compared to C corporations. As such, restoring the federal SALT deduction in its entirety for pass-through entities has been a key priority for [S-CORP](#) and the [Main Street Employers coalition](#) since the cap was implemented back in 2017.

**Oversight** notes, that according to the [taxpolicycenter.org](http://taxpolicycenter.org), a joint project from the Urban Institute and the Brookings Institution, in 2017, 16 percent of tax filers with income between

\$20,000 and \$50,000, 76 percent of tax filers with income between \$100,000 and \$200,000, and over 90 percent of tax filers with income above \$200,000 claimed SALT.

**Oversight** notes since 2018, the Main Street Employers coalition has led advocacy efforts to restore the State and Local Tax (SALT) deduction for pass-through businesses. More than a half dozen states have enacted various version of such a legislation to date and, following the 2020 Treasury Department announcement, IRS Notice 2020-75 (11/2020), validating this legislative approach, SALT Parity measures are being actively considered in more than a dozen states this year.



<https://news.bloombergtax.com/tax-insights-and-commentary/salt-cap-workaround-pass-through-entity-tax-update-part-ii>

**Oversight** notes that under this provision, a small business may elect to pay tax at the entity level, and a corresponding credit is allowed at the partner, member, or shareholder level. There are four main categories of businesses, which would qualify for such a deduction as shown below:

- General Partnerships
- Limited Partnerships
- Limited Liability Companies
- Sub-Chapter S Corporations

Additionally, there are no restrictions as to Multi-tier Partnerships or Trusts that are entity partner members.

**Oversight** notes that officials from the DOR and SOS added, via additional e-mails, that there are currently at least 81,000 S-Corporations in Missouri. The Department of Revenue is not able to discern how many partnerships are currently in Missouri. Officials from the SOS note that a partnership can exist and function as a business without any kind of document setting out the rights or responsibilities of the partners. These partnerships function similarly to a sole proprietorship, but have two or more owners (partners). The only partnerships which have to register with the SOS are those which intend to limit the liability of the individual partners or the partner company, and in this regard, function similarly to a corporation. Therefore, neither DOR nor SOS can estimate the collective number of partnerships which operate in Missouri at any given time, as they are not all required to register.

**Oversight** notes that by paying tax at the entity level, members of the PTE are deducting expenses and taxes incurred by the trade or business (i.e., an above-the-line deduction) versus a conventional below-the-line deduction at an individual level that would be subject to the SALT limitation of \$10,000. Moreover, according to estimates from the U.S. Congress' Joint Committee on Taxation, less than 15% of taxpayers currently qualify to itemize their deductible amounts while filing taxes with average AGI of \$60,981 and an average SALT amount of \$9,958.

As provided in the provision, companies file their income tax at the individual level while using the 95% credit for filing at the entity level as a deduction. For the purpose of this provision, **Oversight** will assume that the company election process will happen throughout FY 2023 due to various companies' filing tax schedules. (I.e. some filing monthly, quarterly, annually, etc.)

For information purpose, **Oversight** will show the various impact of the provision below:

**Table 1**

Proposed - *assuming \$200,000 deductible without SALT cap			
Entity Level	ABC LLP - 2 Members 50/50 Partners		
Net Income	800,000		
Tax liability paid	32,000		
Member level	A - 50%		B-50%
Net Income	\$ 400,000.00		\$ 400,000.00
Tax	\$ 21,200.00		\$ 21,200.00
Tax Credit at 95%	(\$32,000/2) *.95		(\$32,000/2) *.95
Tax credit amount awarded	\$ 15,200.00		\$ 15,200.00
Tax liability amount at members level	\$ 6,000.00		\$ 6,000.00
Total tax paid	\$ 22,000.00		\$ 22,000.00
			\$ 44,000.00

**Oversight** notes the example in Table 1 shows how the 95% tax credits would work against the personal income taxes at the individual member level from the current law.

Table 2

Current Law			
Entity Level	ABC LLP - 2 Members 50/50 Partners		
Net Income	1,000,000		
Tax liability paid	0		
Member level	A - 50%		B-50%
Net Income (entity + other income)	\$ 600,000.00		\$ 600,000.00
Tax	\$ 31,800.00		\$ 31,800.00
Tax Credit at 95%			
Tax credit amount awarded			
Tax liability amount at members level			
Total tax paid to the State	\$ 31,800.00		\$ 31,800.00
			\$ 63,600.00

**Oversight** notes in Table 2, the current law provides lesser tax deductions beyond SALT allowable deductions. However, Table 3 also shows that due to the personal income of each member within the partnership, the overall collected tax in Missouri would not be lesser or higher, but minimally higher or lesser depending on the individual company and each member's personal tax consequence.

**Table 3.**

Entity Level	ABC LLP - 2 Members 50/50 Partners		
Net Income	800,000		
Tax liability paid	32,000		
Member level	A - 50%		B-50%
Net Income (entity + other income)	\$ 600,000.00		\$ 600,000.00
Tax	\$ 31,800.00		\$ 31,800.00
Tax Credit at 95%	(\$32,000/2)*.95		(\$32,000/2)*.95
Tax credit amount awarded	\$ 15,200.00		\$ 15,200.00
Tax liability amount at members level	\$ 16,600.00		\$ 16,600.00
	(31,800-15,200)		
Total tax paid	\$ 32,600.00		\$ 32,600.00
	partner 1+ partner 2 tax totals		\$ 65,200.00



**Oversight** is not able to discern the level of gain or loss to general revenue in any given year because there is currently no data showing the amount of individual income levels or tax rate for each affected company specified within the provision. (I.e. LLP, LP, S-Corp. etc.

**Oversight** notes the provision shall be apply to tax years ending on or after December 31, 2022. The taxpayers will not be filing their 2022 income taxes until January 1, 2023 (FY 2023).

Therefore, Oversight will note a minimum Unknown positive to Unknown negative impact beginning in FY 2023 in the fiscal note.

**Oversight** notes that while the Tax Cuts and Jobs Act placed a \$10,000 cap on the SALT deduction, it's only temporary. The cap applies to taxable years 2018 through 2025. After tax year 2025, the cap will end, and taxpayers will once again be able to deduct 100 percent of their eligible state and local taxes, unless other tax code changes are passed before then.

#### **Sections 294.015, 294.022, 294.023, 294.070, 294.080, & 294.090 Children Working**

In response to similar legislation, (SCS for SB 809 ), officials from the **Department of Labor and Industrial Relations (DOLIR)** assume that the Division of Labor Standards can absorb the costs of this bill with current resources. However, if the workload significantly increased or other legislation was enacted, additional resources would be requested through the appropriation process.

**Oversight** notes currently an employer must keep and maintain certificate (for minimum of two years) for any child, less than 16 years old, who is in his or her employ in the entertainment industry. This provision removes the age requirement from each statute in Section 294.080 would allow the employer accept an issuance of proof of age of a child including birth certificate, driver's license or other identification card issued by the division of motor vehicle and drivers licensing, school records, insurance records, or other documentary evidence prescribed by the division. Additionally, 294.080.3 specifically notes "this section shall not be construed to mandate an employer or child obtain a work certificate as evidence of age."

**Oversight** notes the following receipts were made in to the Child Labor Enforcement Fund (0826) in the past three years:

FY 2021	\$10,725
FY 2020	\$14,675
FY 2019	\$ 3,350

Additionally, officials from the DOLIR provided further explanation of the impact on the funds via e-mail and noted:

The Department cannot estimate what the loss would be because by extending the requirement to 18 year olds, the Child Labor Enforcement agency may collect more fines elsewhere but the agency wouldn't be able to fine for not having a work permit.

**Oversight** notes that the average collection of fines, from Child Labor Enforcement Agency, were less than \$15,000 annually as shown above. For purpose of this fiscal note, **Oversight** will reflect zero fiscal impact in the fiscal note.

Officials from the **Department of Revenue (DOR)** assume these provisions will not fiscally impact the Department.

In response to similar legislation, (SCS for SB 809 ), officials from the **Office of Administration**, the **Office of the Governor**, **Attorney General's Office**, **Department of Social Services**, the **Department of Revenue**, the **Department of Commerce and Insurance**, the **Department of Corrections**, the **Department of Public Safety (Fire Safety, Director's Office, Gaming Commission, National Guard, Highway Patrol, State Emergency Management)**, the **Department of Economic Development**, the **Missouri Department of Transportation**, **Missouri Ethics Commission**, the **Joint Committee on Public Employee Retirement**, the **Department of Mental Health**, the **MODOT – Patrol Employees' Retirement System**, the **Missouri House of Representatives**, the **Missouri Senate**, the **Joint Committee on Education**, the **Legislative Research**, the **Oversight Division**, the **Missouri Lottery**, the **Missouri Consolidated Health Care Plan**, the **Missouri Office of Prosecution Services**, the **Missouri State Employee's Retirement System**, the **State Tax Commission**, the **Office of the State Treasurer**, the **Missouri State University**, the **University of Central Missouri**, the **Missouri University System**, the **City of Kansas**, the **City of O'Fallon**, and the **City of Claycomo** each assume the provision will have no fiscal impact on their organizations. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact in the fiscal note for above organizations for these sections.

### **Section 610.010, 610.021, 610.023, 610.024, 610.026 Public Records**

#### **Sections 610.011-610.026 – Sunshine Request**

Officials from the **Department of Public Safety - Highway Patrol** assume the proposed legislation in Section 610.021 would allow the Custodian of Records to charge fees for redactions on requests that are currently not charged.

DPS-MSHP states the Patrol's Custodian of Records responds to over 7,000 record requests per year, this could result in an increase to fees charged on a small portion of record requests. Usually, these fees would not be charged to victims and others involved in civil litigation resulting from incidents or crimes investigated by the Patrol. However, these fees would be charged to research groups, media and crime documentation programs who submit large record requests and do not meet an exemption as outlined in the Driver's License Privacy Protection Act, resulting in heavy redaction of personal information.

Estimating the Patrol would receive one request per week that would fall into this category, this would potentially add approximately \$100 to \$300 in fees, resulting in potentially \$5,200 to \$15,600 additional fees deposited into the Highway Fund per year. However, most requestors rescind their request when fees of this amount are charged, therefore DPS-MSHP is unable to determine how much, per fiscal year, would be deposited into this fund.

In response to similar legislation, (SB 1135), officials from the **Missouri Department of Transportation (MoDOT)** state this legislation would have a positive fiscal impact to MoDOT/MHTC (State Road Fund) overall. Some provisions would not affect MoDOT/MHTC, while others would have a positive impact. Overall, the magnitude of these changes should be below \$50,000 per year. Specific provisions with impacts are noted below:

Subdivision 610.010.(3)

Public business definition is revised to make it narrower in scope. This will simplify the process for MoDOT to determine what is considered public business.

Subdivision 610.010.(6)

Public record definition is revised. This revision may impact MoDOT, as it says records made or received pursuant to law or in connection with official business. MoDOT does not release other public entity records sent to the Department and instead refers requesters to those public entities for those records. It also changes the deliberative decision-making process protection so that they are protected from disclosure unless they are presented at a public meeting.

Subdivision 610.010.(8)

Transitory record definition is added and is excluded from the public record definition. This will allow MoDOT to protect drafts and non-decision-making materials.

Subdivision 610.021.(18)

Deletes the requirement of terrorist nature of a threat to protect records/meetings. This expands the application of this protection but it will not impact MoDOT fiscally.

Subdivision 610.021.(25)

Adds protection of individual information - this will require additional review and redaction of records, the cost of which will be borne by the requester.

Subdivision 610.021.(27)

Adds protection of individual information - this will require additional review and redaction of records, but the cost of which will be borne by the requester.

Subsection 610.023.3

Revises the response time from 3 days/72 hours to five business days. It also allows the custodian of records to condition earliest receipt of records upon receipt of payment for records. This could save staff time.

Subsection 610.023.4

Changes the time allowed to deny access to records from 3 to 5 business days. This could save staff time.

Subsection 610.023.5

Allows the closure of a request if payment is not received.

Subsection 610.024.1

Allows for the redaction of records and to charge fees for the time it takes to redact the records.

Subsection 610.026.1

Revises several things regarding fees, allowing for the payment of attorney time that is spent researching and reviewing records, it updates the fees that can be charged so it is not just the retrieval and copying of the records. These changes are all beneficial for the Department.

Officials from the **Office of Administration - Budget and Planning** state that TSR and 18e may be impacted depending on the volume of sunshine requests received by departments.

In response to similar legislation, (SB 1135), officials from the **Department of Labor and Industrial Relations** state this provision would result in a cost savings for the Department due to allowing agencies to be reimbursed for the time spent on sunshine requests.

In response to similar legislation, (SB 1135), officials from the **City of Springfield** anticipate a possible positive fiscal impact from this bill in that it would allow the City to recoup some of the costs in researching Sunshine Law requests.

**Oversight** assumes this legislation could create a potential savings to all state agencies due to reimbursement of sunshine requests. Oversight will reflect a savings of less than \$250,000 to the General Revenue Fund, Various State Agencies and Local Political Subdivisions.

In response to similar legislation, (SB 1135), officials from the **Attorney General's Office**, the **Department of Commerce and Insurance**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education and Workforce Development**, the **Department of Health and Senior Services**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Revenue**, the **Department of Public Safety (Office of the Director, Capitol Police, Alcohol & Tobacco Control, Fire Safety, Gaming Commission, Missouri Highway Patrol, Missouri National Guard, State Emergency Management Agency and Veterans Commission)**, the **Department of Social Services**, the **Office of the Governor**, the **Joint Committee on Public Employee Retirement**, the **Missouri Lottery Commission**, the **Missouri Consolidated Health Care Plan**, the **Department of Agriculture**, the **Missouri Department of Conservation**, the **Missouri Ethics Commission**, the **Missouri House of Representatives**, the **Office of Prosecution Services**, the **Office of Administration (Administrative Hearing Commission)**, the **Office of the State Courts Administrator**, the

**Office of the State Auditor**, the **Missouri Senate**, the **Office of the State Public Defender**, the **Office of the State Treasurer** and the **State Tax Commission** each assume the provision will have no fiscal impact on their respective organizations for this provision.

**Oversight** notes that the above-mentioned agencies have stated the provision would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

In response to similar legislation, (SB 1135), officials from **Kansas City** assume the provision will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these provisions.

**Oversight** only reflects the responses received from state agencies and political subdivisions; however, other cities were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System database is available upon request.

#### **Section 620.3800 – Office of Entrepreneurship**

Officials from the **Department of Revenue** assume this provision will not fiscally impact the Department.

Officials from the **Office of Administration - Budget and Planning** note this section would create the “Office of Entrepreneurship” under DED. The office shall promote policies and initiatives to support entrepreneurship within Missouri. In addition, the Office of Entrepreneurship and OA shall jointly make recommendations on improving access and resources for businesses in operation for less than three years.

In response to similar legislation (HCS for HB 1590), officials from the **Department of Economic Development (DED)** noted that DED is responsible for administering the “Office of Entrepreneurship” and shall employ an individual to promote policies and initiatives to support the growth of entrepreneurship in the state. The Office of Entrepreneurship is also responsible for preparing a report for the general assembly making recommendations on improving access and resources for new Missouri businesses that have been in operation for less than three years. DED will need 1.0 FTE to administer the Office of Entrepreneurship.

#### **Section 620.3900, 620.3905, 620.3910, 620.3915, 620.3920, 620.3925, 620.3930 Regulatory Sandbox**

In response to similar legislation (Perfected HCS for HB 2587), officials from **Office of Administration – Budget & Planning** note:

An applicant shall remit to the regulatory relief office an application fee of five thousand dollars per application for each innovative offering. It is not specified in the bill where this money will

be deposited, therefore B&P assumes it will be GR. This will have an unknown positive impact on GR and TSR.

This bill would also provide that during the demonstration period, a sandbox participant shall not be subject to the enforcement of state laws or regulations identified in the written agreement between the regulatory relief office and the sandbox participant. There is not enough information on what laws or regulations may be waived or what impact the waiver will have on TSR.

**Oversight** notes that an applicant shall remit to the regulatory relief office an application fee of \$300 (changed from \$5,000 in original bill) per application for each innovative offering. Therefore, Oversight will reflect a potential positive fiscal impact on State Funds for this application fee.

**Oversight**, for the purpose of this fiscal note, retrieved average patent filings in the State of Missouri to estimate how many entrepreneurs would potentially be participating in this pool. According to the [U.S. Patent and Trademark Office](#) – Patent Technology Monitoring Data (PTMT) there were on average 868 patents filed by Missourians annually between FY 2000 to FY 2015.

**Oversight** notes that the provision assesses a \$300 fee that must be paid in order to participate in this program. Oversight assumes that the fee structure could potentially result in additional revenue of \$260,400 (\$300 x 868 potential innovative entrepreneurs). Therefore, for purpose of this fiscal note, **Oversight** will reflect a positive unknown amount to the General Revenue Fund.

**Oversight** assumes that the fee paid to participate will be remitted to the GR, for purpose of this fiscal note, and as shown above the amounts collected could potentially exceed \$250,000.

Officials from the **Department of Revenue (DOR)** note:

The provision would create a new government entity, the “regulatory relief office,” which may enter into agreements to essentially waive the requirements of Missouri’s statutes and regulations on certain participating businesses. The provision directs the regulatory relief office to consult with applicable agencies, including concerning whether the applicable agency has previously investigated, sanctioned, or pursued legal action against the applicant. The proposed legislation prohibits these agreements from exempting an applicant “from any income, property, or sales tax liability unless such applicant otherwise qualifies for an exemption from such tax.”

Should a participant in this program, be allowed to not pay taxes this will impact state revenue and DOR. DOR has numerous other tax types besides the income tax and sales tax exempted under this provision. Examples include, withholding tax, tire and battery fee taxes, use taxes and more that do not appear protected under this provision. Additionally, this regulatory relief office is given authority to waive state law and regulations. DOR is concerned this would result in filing deadlines being moved or changed for some filers and not others or payments being waived.

Additionally, this provision requires the agencies to provide information on DOR's relationships with a participating business to the regulatory relief office. Some of this information is currently protected under DOR's confidentiality laws.

At this time, DOR is unable to estimate a fiscal impact from this provision. DOR could possibly need additional FTE to work with the regulatory relief office depending on the number of participants, as well as have losses to revenue if participants are allowed to not pay taxes.

**Oversight** notes DOR assumes the provision would allow for selected companies, who participate in the Sandbox program, to receive relief from various taxes which would have an effect on General Revenues and Other State Funds. Additionally, the DOR assumes the need for additional FTE to ensure compliance with this provision. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a potential (\$0 or) unknown negative impact to the General Revenue and Other State Funds, as a result of reduction in a various tax revenues and potential FTE costs, in the fiscal note.

Officials from the **Department of Economic Development (DED)** assume the provision states that the regulatory relief office will be administered by a sandbox program director. DED has estimated personal service costs by taking a mid-range salary of a typical Program Director (Designated Principal Assistant) at DED who oversees an office but does not supervise staff. DED also believes additional review (e.g., reviews of state laws) would require a legal counsel FTE. If DED determines that additional staff are needed to administer the sandbox program, DED will request additional FTE through the normal budget process.

Officials from the **Missouri Department of Agriculture (MDA)** assume the provision, specifically Section 620.3905.2(4) could result in a loss of fee funds to the Missouri Department of Agriculture. If fees are not required to be paid in accordance with current regulations, guidelines, and policies, the fee-fund revenue to the Department could substantially decrease. The fee funds support many FTE within MDA, in accordance with their respective divisions and the fees associated with such; the loss of fee funds could result in the need for reductions in staff due to unavailability of funding. This loss in fee-fund revenue will result in a need for general revenue to support these necessary positions across the state of Missouri.

**Oversight** notes officials from the MDA assume the provision will have a direct fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect an Unknown negative impact for MDA, for various state funds, in the fiscal note.

**Oversight** notes that DED assumes the provision will have a direct fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect an unknown cost for the DED's FTE in the fiscal note.

In response to similar legislation (Perfected HCS for HB 2587), officials from the **Missouri Department of Conservation (MDC)** assume the provision will have an unknown fiscal impact on their organization and could potentially affect MDC funds.

**Oversight** notes that the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution, thus MDC's sales taxes are constitutional mandates.

Additionally, **Oversight** notes the Park, Soil, and Water Sales Tax funds are derived from the one-tenth of one percent sales and use tax pursuant to Article IV Section 47 (a) thus DNR's sales taxes are constitutional mandates. Therefore, Oversight will reflect the fiscal impact estimates for DNR's funds. Therefore, **Oversight** will reflect the MDC's and DNR's fiscal impact estimates in the fiscal note.

Officials from the **Department of Commerce and Insurance (DCI)** assume the provision, specifically Sections 620.3900 - 620.3930, would have an unknown impact to DCI depending on the number of businesses and individuals that would request to participate in the Sandbox Program.

**Oversight** notes that changes in the HCS exempt the Division of Professional Registration. DCI assumes this provision would have a direct fiscal impact on other areas of their organization. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a negative unknown impact to various state funds in the fiscal note.

**Oversight** notes that there are few examples of various agency costs in similar Sandbox provisions filed in the States of Utah, Ohio, Nebraska, Nevada, and the Arizona. Each fiscal note addresses the difficulty of projecting any costs associated with the provisions. However, recent fiscal note submitted to the Nebraska Legislature for consideration of similar bill LB 1127 ([Nebraska Sandbox provision - 2022](#)) from various agencies claiming costs associated with the provision, are provided in the Table 1.

**Oversight** notes that the Missouri Sandbox provision requires, among other duties, the Administrator to:

- Act as a Liaison between private businesses and agencies of the State
- Consult with each affected agency
- Establish Program to enable a person to obtain legal protections
- Review State Laws
- Create a framework for analyzing the risk level of the health, safety, and financial well-being of consumers
- Propose and enter into reciprocity agreements
- Enter into agreements with or adopt best practices of corresponding federal regulatory agencies and other states
- Create and maintain the Department's website



- Create and submit annual reports to the governor and general assembly

**Oversight** notes that there are many other duties required from the Sandbox Office under this provision. Therefore, it is probable that the agencies tasked with the regulatory implementation of this program, such as DOR or DED, will need additional FTEs in order to provide the regulatory framework and compliance procedures for this Act.

**Oversight** notes that Missouri population is at least 3 times greater (6.6M – Missouri population / 1.94M –Nebraska Population) than that of Nebraska, thus the costs could potentially reach a higher level of expenditure in Missouri. Therefore, for purpose of this fiscal note, **Oversight** will note an unknown negative impact to the General Revenue and Other State Funds, which could potentially exceed \$250,000 in various FTE and forgone tax revenue costs to various state funds in the fiscal note.

Table 1.

AGENCY	FY 2023	FY 2024
Department of Economic Development	\$ 520,380.00	\$ 641,930.00
Department of Banking and Finance	\$ 223,025.00	\$ 215,325.00
Board of Engineers and Architects	\$ 3,300.00	\$ 3,300.00
Department of Environment and Energy	\$ 202,371.00	\$ 202,371.00
Department of Agriculture	\$ 77,500.00	\$ 77,500.00
Liquor Control Commission NFI NFI	No Fiscal Impact	No Fiscal Impact
Motor Vehicle Industry Licensing Board No discernable impact No discernable impact	No Discernable impact	No Discernable impact
Nebraska State Electrical Division Indeterminable Indeterminable	Indeterminable	Indeterminable
Board of Barber Examiners Indeterminable Indeterminable	Indeterminable	Indeterminable
Attorney General NFI NFI	No Fiscal Impact	No Fiscal Impact
Nebraska Real Estate Commission Negligible to significant Negligible to significant	Negligible to Significant	Negligible to Significant
Supreme Court NFI NFI	No Fiscal Impact	No Fiscal Impact
Department of Labor NFI NFI	No Fiscal Impact	No Fiscal Impact
Department of Administrative Services	\$ 71,200.00	\$ 77,000.00
Department of Insurance	\$ 168,900.00	\$ 173,317.00
<b>Total</b>	<b>\$ 1,127,776.00</b>	<b>\$ 1,217,426.00</b>
<b>FTE total</b>	<b>9.5</b>	<b>10.5</b>

In response to similar legislation (Perfected HCS for HB 2587), officials from the **Office of the Governor (GOV)** assume the provision adds to the governor’s current load of appointment duties. Individually, additional requirements should not fiscally impact the Office of the Governor. However, the cumulative impact of additional appointment duties across all enacted legislation may require additional resources for the Office of the Governor.

**Oversight** assumes GOV is provided with core funding to handle a certain amount of activity each year. Oversight assumes GOV could absorb the costs related to this provision. If multiple bills pass which require additional staffing and duties at substantial costs, GOV could request funding through the appropriation process.

Officials from the **Missouri Senate** assume the provision will have a negative fiscal impact to reimburse 1 senator for travel to General Regulatory Sandbox Program Advisory Committee meetings at an approximate cost of \$127.89 per meeting.

**Oversight** assumes the **Missouri Senate** is provided with core funding to handle a certain amount of activity each year. Oversight assumes the Senate could absorb the costs related to this provision. If multiple bills pass which require additional staffing and duties at substantial costs, the Senate could request funding through the appropriation process.

In response to similar legislation (Perfected HCS for HB 2587), officials from the **Office of Administration – Administrative Hearing Commission**, the **Office of Administration – Director’s Office**, the **Missouri Department of Transportation**, the **Department of Natural Resources**, and the **Office of the State Auditor** each assume the provision will have no fiscal impact on their organizations. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact in the fiscal note for these agencies for these provisions.

In response to similar legislation (Perfected HCS for HB 2587), officials from the **City of Kansas City**, the **City of O’Fallon**, the **City of Springfield**, and the **City of Claycomo** each assume this provision would not have a direct fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact in the fiscal note for these local political subdivisions for these provisions.

**Oversight** notes each county and city may assess sales or use tax on the sale of goods in Missouri. The tax remitted to a various local political subdivisions serves the local political subdivision needs. DOR assumes the companies could receive relief from various taxes. This could have an effect on the local political subdivisions. Therefore, **Oversight** will note a potential unknown negative impact to the local political subdivision funds in the fiscal note, depending upon sandbox participants and applications.

#### Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this provision is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note 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 its 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.

### **Section 1 Medical Marijuana Licenses**

Officials from the **Department of Health and Senior Services (DHSS)** responded regarding Section 1: Notwithstanding any other provision of law, DHSS shall issue a medical marijuana license to any person or entity that seeks to obtain a medical marijuana license under Article XIV of the Constitution of Missouri, provided such person or entity meets the requirements for such license, regardless of whether the number of licenses granted by the department exceeds the aggregate number of licenses permitted under Article XIV.

DHSS notes Oklahoma is the only state that has licensed unlimited medical marijuana businesses based on minimal standards. Using Missouri's initial number of applicants as a starting point and applying a relevant percentage of Oklahoma's licensure growth rates, the Section for Medical Marijuana Regulation (SMMR) projects there would be an increase of 2,139 licensed facilities over the next three years. With the increase of licensed facilities, SMMR also projects an increase of approximately 49,205 agent ID applications for facility employees and an increase of 388 manufacturers submitting approximately ten pre-approval applications for product design and packaging for edible products.

Based on these projections, SMMR will require additional staff to implement the requirements of the proposed legislation.

- Nine Compliance Inspection Supervisors with an annual salary of \$68,332; supervision of approximately ten Compliance Inspectors each.
- Eighty-three Compliance Inspectors with an annual salary of \$59,298; eighty would be needed to maintain the inspection workload of twenty-seven facilities per compliance inspector and three will solely be dedicated to leading facility compliance investigations and revocation actions. The Compliance Inspectors are assumed to be telecommuters and are expected to travel extensively; it is assumed their travel costs will be \$10,103 annually.
- Four Regulatory Auditor Supervisors with an annual salary of \$73,707; supervision of approximately ten Senior Regulatory Auditors.

- Forty Senior Regulatory Auditors with an annual salary of \$49,877; process edible product pre-approval applications, licensing review, and investigating business changes and complaints related to minimum licensure requirements.
- Three Associate Research/Data Analysts with an annual salary of \$53,805; track and trace compliance audits and investigations.
- One Public Health Program Supervisor with an annual salary of \$66,503; supervision of Public Health Program Associates.
- Nine Public Health Program Associates with an annual salary of \$42,118 process agent ID and patient applications, customer service telephone calls and email requests.
- Eight Special Assistant/Professionals with an annual salary of \$53,867; budgetary oversight, public communication via the webpage and educational materials, internal and external training, contract management, special project coordination, reports, and strategic planning.
- Nine Lead Administrative Support Assistants with an annual salary of \$48,424; provide support for the additional staff.

DHSS notes a new workflow management system solution will be required to process, document, and manage compliance and enforcement actions related to the licensees. This type of system is comparable in complexity and availability to one of the systems already utilized via contract for the medical marijuana program. Using that system as a basis for projecting, the new workflow management system would cause a yearly expense of \$548,427.

SMMR anticipates an increase to the Veterans Commission transfer. The amount transferred is based on fees and taxes collected, and the ending balance for the previous fiscal year. Since tax revenues are unknown, is not able to project what the transfer amount might be.

#### Revenue

DHSS notes annual revenue projections collected through facility license fees from Cultivation, Dispensary, Manufacturing, Laboratory Testing, Seed-to-Sale, and Transportation facilities and patient/caregiver, agent ID, and change request fees are as follows:

Annual revenue projections collected through facility license fees from Cultivation, Dispensary, Manufacturing, Laboratory Testing, Seed-to-Sale, and Transportation facilities and patient/caregiver, agent ID, and change request fees are as follows:

**FY 23:** \$29,766,853 (1,906 facility licenses annual fees) + \$7,527,097 (1,906 new application fees) + \$10,525,003 (263,892 patient, caregiver, and patient cultivation) + \$7,880,900 (47,654 new agent ID applications and change requests) = \$55,699,853.

\*Facility and agent ID licenses renew every three years and the first renewals for those awarded in FY23 is FY26).

**FY 24:** \$23,256,780 (1,477 facility licenses annual fees) + \$727,120 (184 new application fees) + \$10,965,729 (274,343 patient, caregiver, and patient cultivation) + \$761,512 (4,407 new agent ID applications and change requests) = \$35,711,141.

**FY 25\*\*:** \$14,675,226 (916 facility licenses annual fees) + \$196,101 (49 new application fees) + \$11,193,499 (279,480 patient, caregiver, and patient cultivation) + \$206,719 (1,140 new agent ID applications and change requests) = \$26,271,545.

DRL SMMR does not anticipate an increase in medical marijuana sales based on an increase in medical marijuana facilities as the patient population would not increase because of this legislation; therefore, DRL SMMR does not anticipate an increase in tax revenue.

SMMR notes there is a strong possibility that tax revenue would in fact decrease since oversupply would cause prices to go down. In fact, Missouri is already experiencing supply in excess of demand, and the existing medical marijuana facilities have not reached full production capacity. There is no state comparable to Missouri in both its qualifying conditions and the unlimited licensure proposed in this bill.

SMMR assumes all revenues associated with the proposed legislation would be deposited into the Missouri Veterans Health and Care Fund.

Officials from the **Department of Revenue** note this provision allows for more medical marijuana licenses to be issued. The licenses are issued by the Department of Health of Senior Services. The Department defers to the Department of Health and Senior Services to determine the fiscal impact.

Officials from the **Office of Administration - Budget and Planning** note this section would require additional medical marijuana licenses to be granted beyond the minimum allowed under Article XIV, if a business otherwise meets the license requirements. B&P notes that while this may increase revenues, this provision will not impact TSR or the calculation under Article X, Section 18(e) as the fees for medical licenses and the potential unlimited number of licenses have both been previously voter approved. B&P defers to DHSS for the potential impact on revenues.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025	Fully Implemented (FY 2029)
<b>GENERAL REVENUE</b>				
<u>Loss and/or Cost –</u> §71.990 of permit/license revenue and potential costs for additional investigations on home based businesses pg. (3-5)	<u>(Unknown )</u>	<u>(Unknown )</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Savings – §92.111 &amp; §92.115 Calculation of deductions relating to earnings tax p. (6-8)</u>	Could exceed \$362,435 to \$419,096	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
<u>Revenue Reduction – §143.022 &amp; §143.071 - Reduction in income tax owed by new businesses p. (9-15)</u>	(\$8,213,618)	(\$25,564,442)	(\$40,660,127)	(\$46,673,200)
<u>Costs - §143.022 &amp; §143.071 – DOR forms &amp; Website Changes p. (9-15)</u>	(\$14,772)	\$0	\$0	\$0
<u>Costs - §143.022 &amp; §143.071 – DOR new computer tracking p. (9-15)</u>	(\$1,000,000)	\$0	\$0	\$0
<u>Costs – §143.022 &amp; §143.071 DOR p. (9- 15)</u>				
Personal Service	(\$161,618)	(\$195,881)	(\$197,840)	Could exceed (\$197,840)

Fringe Benefits	(\$111,132)	(\$134,063)	(\$134,775)	Could exceed (\$134,775)
Exp. & Equip.	(\$48,556)	(\$2,455)	(\$2,516)	Could exceed (\$2,516)
<u>Total Costs – DOR</u>	<u>(\$321,306 )</u>	<u>(\$332,399)</u>	<u>(\$335,131)</u>	Could exceed <u>(\$335,131)</u>
FTE Changes DOR	5 FTE	5 FTE	5 FTE	5 FTE
<u>Revenue Loss -</u> §143.081 Tax Credit for S-Corporation p. (15-16)	(Unknown – could exceed \$250,000)	(Unknown – could exceed \$250,000)	(Unknown – could exceed \$250,000)	(Unknown – could exceed \$250,000)
<u>Revenue Loss –</u> §143.114 Employee Stock Ownership Deduction – extends sunset date p. (15)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Loss –</u> §143.121 – Income Tax Deduction For Medical Marijuana Businesses p.(17-18)	(Unknown, possibly significant)	(Unknown, possibly significant)	(Unknown, possibly significant)	(Unknown, possibly significant)
<u>Revenue Loss or Gain -</u> §143.436 SALT Parity Act: Entity And Individual Tax Liability Paid p. (18-24)	Minimum Unknown to Minimum (Unknown)	Minimum Unknown to Minimum (Unknown)	Minimum Unknown to Minimum (Unknown)	Minimum Unknown to Minimum (Unknown)
<u>Savings – §610.011-</u> 610.026 Sunshine Request Reimbursement p. (26- 28)	<u>Less than</u> <u>\$250,000</u>	<u>Less than</u> <u>\$250,000</u>	<u>Less than</u> <u>\$250,000</u>	<u>Less than</u> <u>\$250,000</u>
<u>Costs – §620.3800</u> <u>DED p. (28-29)</u>				
Personal Service	(\$36,305)	(\$44,437)	(\$45,326)	Could exceed (\$45,326)
Fringe Benefits	(\$24,500)	(\$29,692)	(\$29,990)	Could exceed (\$29,990)

Exp. & Equip.	(\$13,882)	(\$4,178)	(\$4,261)	Could exceed (\$4,261)
<u>Total Costs – DED</u>	<u>(\$74,687)</u>	<u>(\$78,307)</u>	<u>(\$79,577)</u>	<u>Could exceed</u> <u>(\$79,577)</u>
<u>FTE Changes DED</u>	1 FTE	1 FTE	1 FTE	1 FTE
<u>Cost – §620.3915.2</u> <u>Reduction in Revenues</u> <u>– various tax not paid</u> <u>p. (29-34)</u>	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Gain -</u> <u>§620.3915.2 \$300 Fee</u> <u>Paid to participate in</u> <u>the program p. (29-34)</u>	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Cost – DOR–</u> <u>§620.3915.2 FTE</u> <u>necessary to comply</u> <u>with the provision p.</u> <u>(29-34)</u>	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Costs – DED</u> <u>§620.3915.2 FTE p.</u> <u>(29-34)</u>				
Personnel Service	(\$118,757)	(\$145,358)	(\$148,265)	Could exceed (\$148,265)
Fringe Benefits	(\$64,469)	(\$78,318)	(\$79,293)	Could exceed (\$79,293)
Expense & Equipment	(\$17,827)	(\$11,416)	(\$11,644)	Could exceed (\$11,644)
<u>Total Costs -</u>	<u>(\$201,053)</u>	<u>(\$235,092)</u>	<u>(\$239,202)</u>	<u>Could exceed</u> <u>(\$239,202)</u>
FTE Change	2 FTE	2 FTE	2 FTE	2 FTE
Estimated Net FTE Change on General Revenue	8 FTE	8 FTE	8 FTE	8 FTE
<b>ESTIMATED NET EFFECT ON</b>	<b><u>Could exceed</u></b> <b><u>(\$9,985,360)</u></b>	<b><u>Could exceed</u></b> <b><u>(\$26,777,731)</u></b>	<b><u>Could exceed</u></b> <b><u>(\$41,888,370)</u></b>	<b><u>Could exceed</u></b> <b><u>(\$47,901,443)</u></b>



<b>GENERAL REVENUE</b>				
<b>VARIOUS STATE FUNDS</b>				
<u>Savings</u> – §610.011-610.026 Sunshine Request Reimbursement p. (26-28)	Less than \$250,000	Less than \$250,000	Less than \$250,000	Less than \$250,000
<u>Loss of Revenues</u> - §620.390-620.393 to various State Funds – various tax or fees not paid DNR, MDC, DCI, MDA p. (29-34)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS</b>	<u>(unknown) to Less than \$250,000</u>	<u>(unknown) to Less than \$250,000</u>	<u>(unknown) to Less than \$250,000</u>	<u>(unknown) to Less than \$250,000</u>
<b>MISSOURI VETERANS HEALTH &amp; CARE FUND</b>				
<u>Costs</u> – DHSS - SMMR Section 1 - FTE p. (34-35)				
Personnel Service	\$7,500,917	\$9,393,366	\$9,487,299	Could exceed \$9,487,299
Fringe Benefits	\$4,465,513	\$5,501,165	\$5,535,300	Could exceed \$5,535,300
Expense & Equipment	\$2,584,905	\$2,047,849	\$2,025,846	Could exceed \$2,025,846
<u>Total Costs</u> -	\$14,551,335	\$16,942,380	\$17,048,445	Could exceed \$17,048,445
FTE Change	166 FTE	166 FTE	166 FTE	166 FTE

Estimated Net FTE Change on Missouri Veterans Health & Care Fund	166 FTE	166 FTE	166 FTE	166 FTE
<u>Revenue Increase –</u> Tax Revenue – Section 1 p. (34-35)	Unknown	Unknown	Unknown	Unknown
<u>Revenue Increase –</u> Various Licensing Fees – Section 1 p. (34-35)	<u>\$55,699,853</u>	<u>\$35,711,141</u>	<u>\$26,271,545</u>	<u>Could exceed</u> <u>\$26,271,545</u>
<b>ESTIMATED NET EFFECT ON MISSOURI VETERANS HEALTH &amp; CARE FUND</b>	<b><u>\$41,148,518</u></b>	<b><u>\$18,768,761</u></b>	<b><u>\$9,223,100</u></b>	<b><u>Could exceed</u></b> <b><u>\$9,223,100</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025	Fully Implemented (FY 2029)
<b>LOCAL POLITICAL SUBDIVISIONS</b>				
<u>Revenue loss – §92.111 &amp; §92.115</u> Potential loss in revenue from eliminating the Earnings Tax on nonresidents of St. Louis City who telecommute or work remotely p. (6-8)	\$0 or Less than (\$67,314,390)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue loss – §92.111 &amp; §92.115</u> Potential loss in revenue from eliminating the Earnings Tax on nonresidents of Kansas City who telecommute or work remotely p. (6- 8)	\$0 or (up to \$20,000,000)	\$0 or (up to \$20,000,000)	\$0 or (up to \$20,000,000)	\$0 or (up to \$20,000,000)
<u>Savings – §610.011- 610.026</u> Sunshine Request Reimbursement p. (26- 28)	Less than \$250,000	Less than \$250,000	Less than \$250,000	Less than \$250,000
<u>Loss of Revenues - §620.390-620.393</u> to various local Funds – various tax not paid p. (29-34)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT ON LOCAL</b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>

<b>POLITICAL SUBDIVISIONS</b>				
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#### FISCAL IMPACT – Small Business

Sections 64.008, 65.710 & 89.500 – Employment Regulations - Small businesses that employ minors could be impacted by this provision

Section 71.990 - Home Based Businesses - Small home-based businesses and landlords could be impacted by this provision.

Sections 143.022 & 143.071 - Corporate Tax Rate - This provision could impact any small business that would qualify for the modified income tax schedule created under this proposed legislation.

Section 143.081 - S Corporation Tax Credit - Businesses who qualify for the tax credits mentioned in this provision may be impacted.

Section 143.114 - Employee Stock Ownership - This provision would positively impact small businesses that sell or exchange qualified employer securities.

Section 143.121 – Medical Marijuana Business Expense Deduction - Businesses who qualify for the tax credits mentioned in these provisions may be impacted.

Section 143.436 "SALT Parity Act"- Businesses who qualify for the tax credits mentioned in this provision may be impacted.

Sections - 620.390 - 620.393 - Small businesses, who will participate in the Sandbox program, will be able to receive potential tax reductions resulting in revenue gains.

#### FISCAL DESCRIPTION

HCS/SS/SB 807 - This act modifies provisions relating to corporations.

#### RIGHT-TO-START ACT

By no later than June 30, 2024, and annually thereafter, this act requires the Commissioner of Administration to file a report with the General Assembly that includes information on contracts awarded to businesses that have been in operation for less than three years, as described in the act.

This act also requires the Commissioner of Administration, in conjunction with the Office of Entrepreneurship, which is established by the act, to file a report with the General Assembly making recommendations on improving access and resources for new Missouri businesses that have been in operation for less than three years, including minority-owned businesses. (Section 34.195)

This provision is identical to a provision contained in HCS/HB 1590 (2022).

#### ZONING REGULATIONS ON HOME-BASED WORK BY POLITICAL SUBDIVISIONS

The act creates new provisions governing the regulation of home-based work, as defined in the act, by certain political subdivisions. Specifically, counties, municipalities, and townships are prohibited from enacting a zoning ordinance or regulation that:

- Prohibits mail order or telephone sales for home-based work;
- Prohibits service by appointment within the home or accessory structure;
- Prohibits structural modifications to the home or accessory structure that do not change the residential character of the residential building or adversely affect the character of the surrounding neighborhood;
- Requires structural modifications to the home or accessory structure that change the residential character of the residential building or adversely affect the character of the surrounding neighborhood; Restricts the hours of operation for home-based work; or
- Restricts storage or the use of equipment that does not produce effects outside the home or accessory structure.

Furthermore, any such zoning ordinance or regulation may not explicitly restrict or prohibit a particular occupation.

These provisions do not supersede any deed restriction, covenant or agreement restricting the use of land nor any master deed, by law or other document applicable to a common interest ownership community. (Sections 64.008, 65.710, and 89.500)

These provisions are substantially similar to provisions in SCS/SB 809 (2022).

#### LOCAL RESTRICTIONS ON HOME-BASED BUSINESSES

This act provides that a political subdivision shall not prohibit the operation of a no-impact, home-based business or require a person to apply for any permit or license to operate such a business. However, a political subdivision may establish reasonable regulations on such businesses that are narrowly tailored for the purpose of protecting public health and ensuring the businesses are compliant with state and federal law. (Section 71.990)

This provision is identical to a provision in SCS/HB 2593 (2022).

#### EARNINGS TAX

Current law authorizes the cities of Kansas City and St. Louis to levy an earnings tax, which is imposed in part on salaries, wages, commissions, and other compensation earned by nonresidents of the city for work done or services performed or rendered in the city. For all tax returns filed on or after January 1, 2022, this act provides that "work done or services performed or rendered in the city" shall not include any work or services performed or rendered through telecommuting or otherwise performed or rendered remotely unless the location where such work is performed is located in the city. Any taxpayer denied a refund for taxes paid for such work or services not

performed or rendered in the city may bring a cause of action in a court of competent jurisdiction, and such taxpayer shall recover reasonable attorney's fees resulting from such cause of action. (Sections 92.111 and 92.115)

This provision is identical to HCS/HB 1740 (2022) and to a provision in HCS/SCS/SB 908 (2022), and is substantially similar to SCS/SB 604 (2021), HB 1294 (2021), and HB 1420 (2021), and to a provision contained in HCS/HB 394 (2021) and HCS/HB 688 (2021).

## TAXATION OF BUSINESSES

Current law allows a taxpayer to subtract a percentage of the taxpayer's business income from the taxpayer's federal adjusted gross income. This act allows a taxpayer that begins business operations on or after January 1, 2023, to reduce such taxpayer's remaining business income by a further twenty percent for the first three years in which the taxpayer's business is in operation. (Section 143.022)

Current law provides for a corporate income tax of 4%. For all tax years beginning on or after January 1, 2023, for corporations beginning operations in this state on or after January 1, 2023, this act reduces such rate of tax to 3% for the first \$100,000 of income, with the corporation's remaining income to be taxed at 4%. Beginning with the fourth year in which the corporation maintains operations in this state, all of such corporation's income shall be taxed at 4%. (Section 143.071)

These provisions are identical to provisions contained in HCS/HB 1590 (2022).

## S CORP TAX CREDIT

Current law authorizes a tax credit for the amount of income tax paid to another state for income that is also taxed in this state. This amendment allows such tax credit to be claimed by resident shareholders of an S corporation for the amount of tax imposed by this state on income earned in another state but not taxed by such state. (Section 143.081)

This provision is identical to SB 410 (2021) and to a provision contained in SB 931 (2022).

## EMPLOYEE STOCK OWNERSHIP PLAN DEDUCTION

Current law authorizes an income tax deduction equal to 50% of the net capital gain from selling employer securities to a qualified Missouri employee stock ownership plan, with such deduction scheduled to sunset on December 31, 2022. This act extends the sunset date to December 31, 2028. (Section 143.114)

## MEDICAL MARIJUANA BUSINESS DEDUCTION

This act allows taxpayers authorized under the Missouri Constitution to operate a business related to medical marijuana to claim an income tax deduction in an amount equal to any expenditures otherwise allowable as a federal income tax deduction, but that are disallowed for federal purposes because cannabis is a controlled substance under federal law. (Section 143.121)

This provision is identical to SB 436 (2021) and is substantially similar to HB 877 (2021) and to a provision contained in CCS/HCS/SB 226 (2021) and HCS/SS/SB 283 (2021).

## SALT PARITY ACT

This amendment establishes the "SALT Parity Act".

Current law provides that, in lieu of a corporate income tax on a pass-through entity, shareholders of such pass-through entity shall pay income tax on the shareholder's pro rata share of the entity's income attributable to Missouri. For tax years ending on or after December 31, 2022, this amendment allows the pass-through entity to elect to pay the tax, as described in the amendment. The tax shall be equal to the sum of each member's income and loss items, as described in federal law, reduced by a deduction allowed for qualified business income, as described in federal law, and modified by current provisions of state law relating to the taxation of pass-through entities, with such sum multiplied by the highest rate of tax in effect for the state personal income tax.

A nonresident who is a member, as defined in the amendment, shall not be required to file a tax return for a tax year if, for such tax year, the only income derived from this state for such member is from one or more affected business entities, as defined in the amendment, that has elected to pay the tax imposed under this amendment.

Each partnership and S corporation shall report to each of its members, for each tax year, the member's pro rata share of the tax imposed by this amendment.

Each taxpayer, including part-year residents, that is subject to the state personal income tax shall be allowed a tax credit if such taxpayer is a member of an affected business entity that elects to pay the tax imposed by this amendment. The tax credit shall be equal to the taxpayer's pro rata share of the tax paid under this amendment. Such tax credit shall be nonrefundable, but may be carried forward to subsequent tax years, except that a tax credit authorized for taxes paid to other states shall not be carried forward.

Each corporation that is subject to the state corporate income tax shall be allowed a tax credit if such corporation is a member of an affected business entity that elects to pay the tax imposed by this amendment. The tax credit shall be equal to the corporation's pro rata share of the tax paid under this amendment. Such tax credit shall be nonrefundable, but may be carried forward to subsequent tax years.

Partnerships and S corporations may elect to pay the tax imposed under this amendment by submitting a form to be provided by the Department of Revenue. A separate election shall be made for each tax year. Such election shall be signed either by each member of the electing entity, or by any officer, manager, or member of the electing entity who is authorized to make such election and who attests to having such authorization under penalty of perjury.

An affected business entity shall designate an affected business entity representative for the tax year to amendment on behalf of the affected business entity in any action required or permitted to be taken by an affected business entity pursuant to this amendment, a proceeding to protest taxes, an appeal to the Administrative Hearing Commission, or review by the judiciary with respect to such action, and the affected business entity's members shall be bound by those actions. (Section 143.436)

This provision is identical to a provision in SS/SCS/SB 931 (2022) and SS#2/SCS/SB 968 (2022), and is substantially similar to SB 1154 (2022) and HB 2845 (2022), and to a provision in HCS/HB 2157 (2022) and HCS/HB 1803 (2022).

#### ELIMINATION OF YOUTH ENTERTAINMENT WORK PERMITS

The act additionally modifies current provisions of law regulating child employment. Specifically, the act repeals requirements that children under the age of 16 must obtain work permits prior to being employed in the entertainment industry, provided that children may still only be present at the place of employment for the entertainment industry if the parent, legal custodian, guardian, or designated guardian has consented and is present at all times.

Additionally, the act modifies the process for issuing work certificates to children under 18 years of age. Current law requires children under 18 years of age to be issued a work certificate in order to be employed during the regular school term. This act repeals that requirement and instead makes issuance of a work certificate as evidence of age of the child to be permissive, upon the request of the child or the employer seeking to employ the child. Such work certificates are to be issued by the Division of Labor Standards and shall be accepted as conclusive evidence of the age of the child.

The act furthermore provides that the Division of Labor Standards, Labor and Industrial Relations Commission, Department of Labor and Industrial Relations, and every other government entity in this state are prohibited from:

- Requiring that a child under the age of 18 be issued a work certificate of employment or entertainment work permit as a condition of employment; and
- Requiring an employer to obtain a work certificate of employment or entertainment work permit from a child under the age of 18 as a condition of employment. (Sections 294.022 to 294.090)

These provisions are identical to provisions in SCS/SB 809 (2022) and are substantially similar to HB 2824 (2022).

#### SUNSHINE LAW

The act modifies the definitions of "public business", "public meeting", and "public record" and adds a definition for "transitory records". "Transitory records" shall not be considered a public record. Currently, the definition of "public record" provides that personally identifiable student records maintained by a public educational institution may be viewed by parent or guardian of the student, or the student if over the age of 18. This act modifies this provision to apply to all public governmental bodies rather than just public educational institutions. Also, the definition of "public records" excludes any internal memorandum received or prepared by a public body consisting of certain advisory material unless such record is retained by the public body. This act repeals the requirement that such record was retained by the public body. (Section 610.010)

Bases for closing records and meetings are modified to include certain records relating to nonjudicial mental or physical health proceedings. The act authorizes a public governmental body to close records and meetings relating to security measures, GPS data, and investigative



and surveillance techniques of any law enforcement or public safety agency which, if disclosed, has the potential to endanger individual or public safety or health.

Currently, a public body may close records relating to operational guidelines, policies, and response plans for use in responding to a critical incident which is or appears to be terrorist in nature. This act repeals the requirement that incident be terrorist in nature. The act further authorizes the closure of existing and proposed security protocols of a public body.

A public governmental body is authorized to close records that are related to email addresses and telephone numbers submitted to a public governmental body by individuals or entities for the sole purpose of receiving electronic or other communications.

The public body may also close records of utility usage and bill records for customers of public utilities unless the customer requests them or authorizes their release.

This act authorizes the closure of public records that are retained by a public governmental body that are related to a constituent of the public body as well as records related to a dignitary or foreign leader. Medical and mental health records of a constituent may be closed in their entirety and other such records shall be redacted to remove individually identifiable information of the constituent. The act defines the term "constituent" to include any person who is a resident of, pays property taxes within, or owns a business entity within, the boundaries of the public body, but shall not include a lobbyist or lobbyist principal, a statewide elected official, or an elected official of a political subdivision, or an employee of such elected official.

The act authorizes the closure of inter-agency or intra-agency memoranda or letters that would not be available by state or federal law to a party other than an agency in litigation with the agency, provided that this exception shall not apply to records created twenty-five years or more before the date the records were requested or to records to or from a registered lobbyist or lobbyist principal.

Further, any record may be closed that is retained in the office of a member of the General Assembly, or employees of the General Assembly, that contain information regarding proposed legislation or the legislative process. These authorizations to close records shall not apply if the record has been offered in a public meeting of either house of the General Assembly or, for legislative records, to any record addressed to, or from, a lobbyist or lobbyist principal. (Section 610.021)

Currently, requests for records must be acted upon with three business days. This act changes this requirement to five business days. Access to and production of records may be conditioned upon the receipt of payment of fees. (Section 610.023)

Where a single record contains both open and closed records, the public body shall make a redacted version of such record available. Current law authorizes a public body to charge for research time required to fulfill records requests. This act authorizes the public body to also charge for the time needed to redact documents using employees of the body that result in the lowest charge. (Section 610.024)

Currently, payment of copying fees may be requested prior to the making of copies. This act modifies this provision so that payment of any fees may be requested prior to fulfilling the request. Except as provided in the amendment, a request for public records to a public governmental body shall be considered withdrawn if the requester fails to remit all fees within thirty days of a request for payment of the fees by the public governmental body. The public body shall include notice to the requester that the failure to remit the fees within thirty days shall result in the request being considered withdrawn. If a public body responds to a records request in order to seek clarification of the request and no response to the clarification request is received within thirty days, then such request shall be considered withdrawn. The request for clarification shall include notice to the requester that the request shall be considered withdrawn if there is no response within thirty days. If the same or a substantially similar request for records is made within six months of the expiration of the thirty day period and no fee was remitted for the original request or no response to the request for clarification was received, then the public body can request payment of fees made for the original request. (Section 610.026)

These provisions are identical to provisions in SS/SCS/SB 741 (2022), SB 1135 (2022), and are substantially similar to SCS/SB 930 (2022), SCS/HCS/HB 362 (2021), and SCS/SB 613 (2020).

#### OFFICE OF ENTREPRENEURSHIP

This act creates the Office of Entrepreneurship within the Department of Economic Development. The Office shall employ an individual to promote policies and initiatives to support the growth of entrepreneurship, including minority entrepreneurship, in this state. (Section 620.3800)

This provision is identical to a provision contained in HCS/HB 1590 (2022).

#### REGULATORY SANDBOX ACT

This act establishes the "Regulatory Sandbox Act", which creates the Regulatory Relief Office within the Department of Economic Development. The Regulatory Relief Office shall administer the provisions of the act with the purpose of identifying state laws or regulations that could potentially be waived or suspended for participating businesses during a two-year period in which the participating business demonstrates an innovative product offering to consumers.

The Regulatory Relief Office shall maintain a web page on the Department's website that invites residents and businesses to make suggestions regarding laws and regulations that could be modified or eliminated to reduce the regulatory burden of residents and businesses in the state. (Section 620.3905)

The Regulatory Relief Office shall be responsible for evaluating and approving or denying applications to participate in the Sandbox Program. An applicant shall submit an application along with a \$5,000 application fee to the Regulatory Relief Office, which shall include contact information and a description of the innovative offering to be demonstrated, including statements regarding how the innovative offering is subject to licensing, legal prohibition, or other authorization requirements outside of the Sandbox Program; each law or regulation that the applicant seeks to have waived or suspended while participating in the Sandbox Program; how

the innovative offering would benefit consumers; and what risks might exist for consumers who use or purchase the innovative offering, as described in the act.

No later than five business days after the day on which a completed application is received by the Regulatory Relief Office, the Office shall review the application and refer the application to each applicable agency, as defined in the act, that regulates the applicant's business. No later than thirty days after the day on which an applicable agency receives a completed application for review, the applicable agency shall provide a written report to the Sandbox Program director with the applicable agency's findings, including any identifiable, likely, and significant harm to the health, safety, or financial well-being of consumers that the relevant law or regulation protects against, and a recommendation to the Regulatory Relief Office that the applicant either be admitted or denied entrance into the Sandbox Program. An applicable agency may deny an application for reasons described in the act. The Regulatory Relief Office shall not approve any application denied by an applicable agency. (Section 620.3915)

Upon the receipt of a report from all applicable agencies, the Regulatory Relief Office shall provide the application and associated reports to the General Regulatory Sandbox Program Advisory Committee, which is created by the act. The Advisory Committee shall be composed of eight members, as described in the act. The Advisory Committee shall advise and make recommendations to the Regulatory Relief Office on whether to approve applications to the Sandbox Program, and may meet at its own discretion to override a decision of the Regulatory Relief Office on the admission or denial of an applicant to the Sandbox Program, provided such override is decided with a majority vote of the members of the Advisory Committee, and further provided that such vote shall be taken within ten business days of the Regulatory Relief Office's decision. Meetings of the Advisory Committee shall not be considered public meetings for the purposes of the Sunshine Law. (Section 620.3910)

Upon approval of an application, a sandbox participant shall have twenty-four months after the day on which its application was approved to demonstrate the innovative offering described in the sandbox participant's application. During such period, the sandbox participant shall be exempt from the laws and regulations outlined in an agreement entered into with the Regulatory Relief Office. Innovative offerings shall only be available to consumers who are residents of this state, and no law or regulation shall be waived or suspended if such waiver or suspension would prevent a consumer from seeking restitution in the event that the consumer is harmed. A sandbox participant shall not be subject to prosecution or administrative penalty for a violation of any law or regulation that is waived or suspended during the duration of the participant's demonstration period. (Section 620.3920)

Prior to demonstrating an innovative offering, a sandbox participant shall disclose certain information to consumers, as described in the act. (Section 620.3925)

At least thirty days prior to the end of a participant's demonstration period, the participant shall notify the Regulatory Relief Office that it either intends to exit the Sandbox Program or that it seeks an extension. The Regulatory Relief Office may grant an extension not to exceed twelve months, and a participant may seek multiple extensions. If a demonstration includes an innovative offering that requires ongoing services or duties beyond the two-year demonstration

period, the participant may continue to demonstrate the offering, but shall be subject to all laws and regulations that were waived or suspended as part of the Sandbox Program.

A sandbox participant shall retain certain records for a period of two years after exiting the Sandbox Program.

The Regulatory Relief Office shall establish quarterly reporting requirements for each participant, and each participant shall notify the Regulatory Relief Office and each applicable agency of any incidents that result in harm to the health, safety, or financial well-being of a consumer.

No later than thirty days after a sandbox participant exits the Sandbox Program, such participant shall submit a written report describing an overview of the demonstration. No later than thirty days after receiving such report, an applicable agency shall provide a written report to the Regulatory Relief Office that describes any statutory or regulatory reform the applicable agency recommends. (Section 620.3930)

These provisions are identical to SB 1068 (2022) and HCS/HB 2587 (2022).

#### MEDICAL MARIJUANA LICENSES

This act requires the Department of Health and Senior Services to issue medical marijuana licenses to applicants who qualify regardless of whether the number of licenses granted exceeds the aggregate license limit established by the Department. (Section 1)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. (Chapter 294)

#### SOURCES OF INFORMATION

##### Department of Public Safety

- Office of the Director
- Division of Alcohol and Tobacco Control
- Capitol Police
- Fire Safety
- Missouri Gaming Commission
- Missouri Highway Patrol
- Missouri National Guard
- State Emergency Management Agency
- Missouri Veterans Commission

##### Department of Commerce and Insurance

##### Department of Corrections

##### Department of Economic Development

##### Department of Elementary and Secondary Education

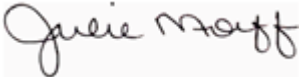
##### Department of Health and Senior Services

##### Department of Higher Education and Workforce Development


Department of Labor and Industrial Relations  
Department of Mental Health  
Department of Natural Resources  
Department of Public Safety  
Department of Revenue  
Department of Social Services  
Facilities Management, Design and Construction  
Joint Committee on Administrative Rules  
Joint Committee on Education  
Joint Committee on Public Employee Retirement  
Legislative Research  
Local Government Employees Retirement System  
Missouri Consolidated Health Care Plan  
Missouri Department of Agriculture  
Missouri Department of Conservation  
Missouri Department of Transportation  
Missouri Ethics Commission  
Missouri House of Representatives  
Missouri Lottery Commission  
Missouri Office of Prosecution Services  
Missouri Senate  
Missouri State Employee's Retirement System  
Missouri State University  
Missouri University System  
MODOT – Patrol Employees' Retirement System  
Office of Administration  
Office of Administration – Budget & Planning  
Office of Administration Administrative Hearing Commission  
Office of the Governor  
Office of the Lieutenant Governor  
Office of the Secretary of State  
Office of the State Auditor  
Office of the State Courts Administrator  
Office of the State Public Defender  
Office of the State Treasurer  
Oversight Division  
Public Schools and Education Employee Retirement Systems  
State Tax Commission  
University of Central Missouri  
City of Kansas City  
City of St. Louis  
City of Osage Beach  
City of Liberty  
City of Claycomo

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City of O'Fallon  
City of Springfield  
Newton County Health Department  
St. Louis County Health Department  
City of Kansas City Board of Elections

A handwritten signature in cursive script, appearing to read "Julie Morff", written in black ink on a light-colored background.

Julie Morff  
Director  
May 2, 2022

A handwritten signature in cursive script, appearing to read "Ross Strobe", written in black ink on a light-colored background.

Ross Strobe  
Assistant Director  
May 2, 2022