MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (14-119)

Subject

Initiative petition from Marc Ellinger regarding a proposed constitutional amendment to Article X. (Received January 31, 2014)

Date

February 20, 2014

Description

This proposal would amend Article X of the Missouri Constitution.

The amendment is to be voted on in November 2014.

Public comments and other input

The State Auditor's office requested input from the **Attorney General's office,** the **Department of Agriculture,** the **Department of Economic Development,** the **Department of Elementary and Secondary Education,** the **Department of Higher Education,** the **Department of Health and Senior Services,** the **Department of Insurance, Financial Institutions and Professional Registration,** the **Department of Mental Health,** the **Department of Natural Resources,** the **Department of Corrections,** the **Department of Labor and Industrial Relations,** the **Department of Revenue,** the **Department of Public Safety,** the **Department of Social Services,** the **Governor's office,** the **Missouri House of Representatives,** the **Department of Conservation,** the **Department of Transportation,** the **Office of Administration,** the **Office of State Courts Administrator,** the **Missouri Senate,** the **Secretary of State's office,** the **Office of the State Public Defender,** the **State Treasurer's office, Adair County, Boone County, Callaway County, Cass County, Clay County, Cole County, Greene County, Jackson County Legislators, Jasper County, St. Charles County, St. Louis County, Taney County,** the **City of Cape Girardeau,** the **City of Columbia,** the **City of Jefferson,** the **City of Joplin,** the **City of Kansas City,** the **City of Kirksville,** the **City of Kirkwood,** the **City of Mexico,** the **City of Raymore,** the **City of St. Joseph,** the **City of St. Louis,** the **City of Springfield,** the **City of Union,** the **City of Wentzville,** the **City of West Plains, Cape Girardeau 63 School District, Hannibal 60 School District, Rockwood R-VI School District, Linn State Technical College, Metropolitan Community College, University of Missouri, St. Louis Community College, University of Central Missouri**, **Harris-Stowe State University**, **Lincoln University**, **Missouri State University**, **Missouri Southern State University**, **Missouri Western State University**, **Northwest Missouri State University**, **Southeast Missouri State University**, and **Truman State University.**

Marc Ellinger provided information as a proponent of the proposal to the State Auditor's office.

Assumptions

Officials from the **Attorney General's office** indicated they assume that any potential costs arising from the adoption of this proposal can be absorbed with existing resources.

Officials from the **Department of Agriculture** indicated an unknown fiscal impact on their department.

Officials from the **Department of Economic Development** indicated no impact for their department.

Officials from the **Department of Elementary and Secondary Education** indicated:

The individual income tax is reduced per "reduction factor" (i.e. the percentage, rounded to the nearest tenth of one percent but not less than one tenth of one percent, sufficient to reduce tax collections by the amount collected from the fees or assessments imposed). The existing rate of the individual income tax shall be permanently reduced by the reduction factor effective the immediately ensuing tax year.

They defer to DOR in regard to collection amounts resulting from the assessments and/or fees imposed.

All revenues generated shall be used to reduce the individual income tax. Based on this assumption, the state school foundation formula would not be negatively impacted fiscally. However, the proposal appears to address the reduction and\or permanent elimination of the individual income tax rate. It does not appear to allow for an increase or adjustment to the individual income tax rate when the collection of assessments and/or fees are insufficient to cover the reduction factor in any previous year. This could ultimately lead to a situation where there are minimal taxes collected from individual income taxes and minimal collections from the assessments and/or fees created here, such that state revenues could be significantly diminished. This would negatively impact the state school foundation formula.

Officials from the **Department of Higher Education** indicated this proposal would not result in any costs or savings for their department.

Officials from the **Department of Health and Senior Services** indicated this initiative petition is a no impact note for their department.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** indicated this petition, if passed, will have no cost or savings to their department.

Officials from the **Department of Mental Health** indicated this proposal creates no direct obligations or requirements to their department that would result in a fiscal impact.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this proposal.

Officials from the **Department of Corrections** indicated no impact for their department.

Officials from the **Department of Labor and Industrial Relations** indicated no fiscal impact to their department.

Officials from the **Department of Revenue** indicated increased operating costs for the department will be $265,672 for fiscal year 2015, $206,774 for fiscal year 2016, and $208,925 for fiscal year 2017.

The IT portion of this fiscal impact is estimated with a level of effort valued at $55,037. This value is based on 2,016 FTE hours.

This amendment may result in a decrease in total state revenue. While the increase due to the $0.01 tax on vapor product units is unknown, the $0.17 assessment fee on all cigarette packages will increase revenues by $88.5 million the first year the amendment goes into effect. The $0.55 assessment fee on all non-participating manufacturer cigarettes will result in an increase of $72.1 million. This increase will result in a reduction of the individual income tax rate to 5.7 percent, decreasing general revenue by an estimated $206.3 million. The department assumes that the assessments charged to vapor unit products and non-participating manufacturer cigarette packages will be deposited into the General Revenue fund, resulting in a net loss of $45.7 million dollars to general revenue.

The increase in assessments on vapor products and cigarettes increases state revenues, but not enough to offset income tax losses. If the amendment permanently reduces individual income tax based on the increased assessments and then vapor products and cigarette sales decrease, this may lead to further reductions in state revenues.

SECTION 26
This section permanently reduces individual income tax by the amount collected by the state from the assessments imposed in Section 27.

Administrative Impact:
Personal Tax:
Personal Tax will require programming support and forms changes. Additionally, Personal Tax will need one (1) Revenue Processing Technician I to process correspondence.

Collections & Tax Assistance:
Based on Section 26, Collection & Tax Assistance anticipates additional customer contacts due to the tax rate change and adjustment notices. Collection & Tax Assistance

will require two (2) Tax Collection Technicians I for additional contacts on the non-delinquent and delinquent tax lines and one (1) Revenue Processing Technician I for contacts to the field offices. Each technician requires CARES equipment and licenses.

ITSD-DOR:
Individual: Tax rate reduction – 504 hours

Section 27
This petition adds an additional $0.17 per pack special assessment on cigarettes purchased after the effective date of this amendment. This section proposes a new assessment of $0.01 per .01 fluid ounce of vapor product material.

The petition also imposes an equity assessment fee of $0.55 per pack of non-participating manufacturer cigarettes. In addition to the above assessments, the petition requires any person that provides cigarette manufacturing services or access to automatic cigarette manufacturing equipment to consumers be considered a manufacturer.

This section prevents any political subdivision to increase to the tax, license, fee or special assessment on cigarettes or tobacco products.

Administrative Impact:
Excise Tax:
Depending on who collects the tax, either 250 licensed wholesalers or approximately 4,500 retailers need to be notified of the provisions of this amendment. New reporting forms would need to be developed and a program would be needed to track the information.

Excise Tax requires one (1) Revenue Processing Technician I for every 3,000 returns.

The department assumes that all revenues collected would go to the general revenue fund. This would require changes to the cashiering functions and to SAM II entry.

New reporting forms would need to be developed, 120 cigarette wholesalers would need to be notified, the Peach Tree Accounting System would require updating to allow for the tax rate and changes would need to be made to cashiering functions and to SAM II entry.

Mailing costs to wholesalers and retailers:

Wholesalers:	120 x $0.555 =	$ 66.60
Retailers:	4500 x $0.555 =	$2,497.50
Total:		$2,564.10

ITSD-DOR:
Excise: New Vapor Product Excise Tax system – 1008 hours
New assessment on non-participating manufacturer cigarettes – 504 hours

Comments:

Section 26

This section allows for the individual income tax to be permanently reduced. However, it does not provide for any increase if in future years the revenues derived from the special assessments imposed in Section 27 decrease. It is also unclear if the rate reduction occurs if the assessment amounts collected remain the same from year to year. The language is also vague as to who is responsible for determining whether the decrease is reoccurring.

Section 27

Although it is not stated within this amendment, the department assumes that the assessments collected within this section will be deposited into the General Revenue fund to offset the loss of funds due to the individual income tax rate reduction.

Currently, the department collects other tobacco product's tax on the manufacturer's invoice price of a product. To collect the special assessment based upon a number of ounces provides special challenges for the department.

Internet research indicates most material containing nicotine is measured in milliliters (ml) not ounces. Therefore, conversion will be needed to determine the special assessment amount based upon ounces. Additionally, electronic cigarette kits contain cartridges containing small amounts of fluid (usually somewhere between 3 to 7 drops). This may be difficult to calculate the amount due.

It is also unclear if the vapor product unit must contain at least .05 ounces. It is unclear if a kit that contains two cartridges that hold less than .05 ounces is still subject to assessment. The department assumes that the assessment can be based upon a fractional part of .05 ounces. The department also assumes that if a product contains 30 ml then that would be converted to ounces and divided by .05 to determine the number of "Vapor Product Units" subject to assessment.

The language is unclear as to who would be responsible for remitting the special assessment fee, whether at the sale by the wholesaler to the retailer or at the sale by the retailer to the consumer.

If the FDA should ever regulate these products under Chapter V, they would no longer be subject to the special assessment.

It is unclear if the person responsible for collecting the special assessment would need to be licensed or not. If licensing of retailers is required, additional personnel will be needed. Additionally, if licensing is required, it is unclear if the requirements in Chapter 149 can be applied, which impose a yearly fee and requiring submission of a bonding instrument.

There does not appear to be any penalty provisions for non-compliance. It is unclear if the person remitting the tax will be granted any collection allowances. There are no refund provisions.

The department assumes the effective date of this legislation would be upon certification of the election results by the Secretary of State. This would not allow sufficient time to make all the necessary form changes, programming changes and notifications. It is recommended that the effective date be changed to July 1, 2015. This will also reduce the burden on the wholesalers required to implement the assessment in the middle of the month.

Current cigarette taxes are imposed upon the consumer. This legislation appears to impose the tax on the wholesaler, making the assessment fee subject to sales tax. This may be confusing to retailers, as they currently do not charge sales tax on the state cigarette tax.

As this legislation requires that the assessment be collected in the same manner as other cigarette tax, this would require the design and purchase of new cigarette stamps to be used only on non-participating manufacturer cigarettes. Because of the special assessment in this section, an additional series of stamps would have to be designed and purchased. Although a separate stamp could be developed, in consultation with cigarette wholesalers, this would put an extreme burden on wholesalers to apply separate stamps to each pack of cigarettes.

The department budgets for and purchases all cigarette stamps for the fiscal year at one time. The implementation of a new tax at a time other than the beginning of a fiscal year could result in inventory of stamps that will be obsolete and would have to be destroyed. Additionally, there may not be sufficient funds in the budget to allow the purchase of the new stamps.

The department assumes that the compensation allowance of 3 percent provided for in Chapter 149.021 RSMo would apply to the special assessment fee, as the fee is to be collected in the same way as other cigarette taxes. The department also assumes that as this assessment is to be collected in the same manner as other cigarette taxes, this would allow for the credit or refund on returned stamps.

Technical errors

Section 27 (c)
This section refers to the special assessment in section 26 (a). However, the special assessment is in 27 (a).

Officials from the **Department of Public Safety** indicated there is no fiscal impact for their department for this initiative petition.

Officials from the **Department of Social Services** indicated since this initiative petition imposes a special assessment and provides for a reduction in the individual income tax, it has the potential to affect total state revenue. However, there is no direct fiscal impact to their department. Since the budget of any state agency is dependent upon the appropriations process, they cannot predict whether their department might be affected if this proposal were to result in a change in the total amount of general revenue available to fund state government.

Officials from the **Governor's office** indicated there should be no fiscal impact to their office.

Officials from the **Missouri House of Representatives** indicated there should be no fiscal impact to their agency.

Officials from **Department of Conservation** indicated that no adverse fiscal impact to their department would be expected as a result of this proposal.

Officials from the **Office of Administration** indicated:

These proposals create, upon voter approval, additional taxes on various tobacco products.

There should be no cost to the Office of Administration.

Budget & Planning (BAP) provides these estimates:

<u>Vapor Product Units (all versions):</u>
The proposals create an additional tax of $0.01 levied on each "Vapor Product Unit" (VPU), defined as 0.01 fl. oz. of nicotine product.

- According to a recent analysis by Wells Fargo Securities,[1] national sales of e-cigarettes will total $1.7 billion in 2013.
- BAP assumes 2% of this figure represents sales in MO, and of this, 90% is sales of VPUs, or about $32M.
- BAP assumes these sales are in the form of "cartridges" that retail for $2 each, or 16M cartridges. Also, each cartridge contains 1.5 mL of liquid, for a total of 24M mL. However, there are numerous e-cigarette products, with various amounts of fluid, offered at an array of prices for consumers to choose from.
- BAP notes that 24M mL is about 0.812M fl. oz.,[2] which implies about 81.15M VPUs are sold in MO.
- At $0.01 per VPU, this would generate about $0.8122M in additional revenues.

[1] http://www.cnbc.com/id/100991511#_gus
[2] http://www.convertunits.com/from/fluid+ounces/to/ml

Cigarette Tax (versions 119 & 120):
The proposals create an additional cigarette tax of $0.17 per pack, which doubles the current rate of tax. BAP notes that cigarette tax revenues in FY13 totaled just over $86.8M. However, the additional tax would reduce the number of units sold. BAP estimates this additional tax would generate $81.8M of revenues.

Equity Assessment Fee for NPMs (versions 118 & 119):
The proposals create an Equity Assessment Fee of $0.55 per pack for the sale of Non-Participating Manufacturer cigarettes. The DOR may have an estimate of the revenue that may be generated.

Cigarette Mfg (all versions).
The proposals stipulate that any person that provides cigarette manufacturing services is deemed to be a manufacturer. This may increase revenues, to the extent that sellers of these services remit taxes based on stamped products, instead of paying any "other tobacco products" taxes they may currently be paying.

Bonds for Non-Participating Mfgs (versions 120 & 121)
These proposals require Non-Participating Manufactures to post a bond to the state of Missouri. This will increase general and total state revenues by an unknown amount.

Income Tax Reduction Factor (all versions):
The proposals require the existing rate of the individual income tax to be reduced by a "reduction factor." There are several marginal income tax rates in statute; BAP assumes this proposal refers to the top marginal rate in effect. The "reduction factor" means the percentage, rounded to the nearest tenth, but not less than 0.1%, sufficient to reduce collections by an amount equal to the annual increase in the tobacco taxes collected above. Based on 2011 Tax Year data, BAP estimates each 0.1% reduction may reduce revenues by $69M or more, depending on the rate in effect. Thus, the "reduction factor" may be rounded up to as much as 0.3%, for a reduction of at least $207M, in the first year. In subsequent years, an increase in the proposed taxes of only $1 would lead to a reduction of $69M or more.

Further, the proposal requires the income tax rate to be "permanently reduced" effective the immediately ensuing tax year. This could be interpreted to mean that the rate of income tax is reduced every year, even if income taxes decline because of economic conditions. It might follow that this proposal eventually eliminates the income tax so long as any of the proposed tobacco revenues continue to be collected, and increase by any amount.

Other Comments:

The reduction in income tax rates will reduce general revenues. However, it is unclear from this proposal if the new tobacco revenues will be deposited into general revenue or other dedicated funds.

Any reduction in the number of tobacco products sold may also reduce sales taxes. This would further reduce general revenues, as well as those for schools and other dedicated funds.

Officials from the **Office of State Courts Administrator** indicated there is no fiscal impact on the courts.

Officials from the **Missouri Senate** indicated this initiative petition has no fiscal impact to their office.

Officials from the **Secretary of State's office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Their office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with $1.3 million historically appropriated in odd numbered fiscal years and $100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2013, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost $2.17 million to publish (an average of $434,000 per issue). Therefore, their office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. However, because these requirements are mandatory, they reserve the right to request funding to meet the cost of their publishing requirements if the Governor and the General Assembly change the amount or eliminate the estimated nature of our appropriation.

Officials from the **Office of the State Public Defender** indicated this initiative petition will not have any substantial impact on their office other than if state revenues are significantly changed.

Officials from the **State Treasurer's office** indicated no fiscal impact to their office.

Officials from the **City of Jefferson** indicated there is not expected to be a fiscal impact to their city, as a result of this initiative petition.

Officials from the **City of Kansas City** indicated:

The proposed state assessments on non-participating manufacturer cigarettes and vapor product material would have no fiscal impact on their city. The prohibition on new local government taxes, licenses, fees or special assessments on vapor products or vapor product material could reduce their future revenue, but the amount of future lost revenue cannot be determined.

Officials from **University of Central Missouri estimate** no fiscal impact.

Officials from **Truman State University** indicated no impact.

Marc Ellinger provided the following information as a proponent of this initiative petition.

I submit the following proposed statement of fiscal impact for the four Initiative Petitions I filed on January 30, 2014, with the Missouri Secretary of State's Office, on behalf of the Initiative Petitions.

There is little cost to state or local governments based upon the proposed Initiative Petitions. The income tax rate will be reduced only upon increased revenue as a result of the additional fees or assessments in the proposed measure.

Fiscal Notes and Fiscal Note Summaries for 2014-096 to 2014-099

On January 29, 2014, the Secretary of State certified ballot titles for four other similar initiative petitions. Those petitions each received the same fiscal note summary as follows:

> Taxes and fees collected annually under the proposal are used to calculate permanent reductions to the individual income tax rate. This process over several decades could eliminate the individual income tax, which would be approximately $6 billion in annual revenue based on current collections. Whether the proposal will be revenue neutral cannot be determined.[[1]]

Not only does this statement not state the measures' estimated costs or savings, it appears to be a significant deviation from the Auditor's usual practice in attempting to quantify the fiscal impact "over several decades." There are also differences between the Initiative Petitions that would justify different fiscal note summaries. I urge the Auditor to closely examine each of the initiative petitions currently before him and adopt a fiscal note summary for each which (1) states the measure's cost or savings (2) specific to that initiative petition , and (3) within a reasonable time frame.

[1] The Fiscal Notes, which include the Fiscal Note Summaries are available at http://auditor.mo.gov/Notes/FiscalNotes.aspx?year=2014.

The Incorrect Estimation for the Income Tax Rate Reduction

The Fiscal Note Summaries for 2014-096 to 2014-099 were largely based on two responses: the Department of Revenue and the Office of Administration, Division of Budget & Planning. Both attempt to estimate the tax collections from the new assessments and fees.

	DOR	BAP	Final Estimates
	2015		
$0.55 Equity Assessment Fee	71,200,000.00	unknown	71,200,000.00
$.034 Vapor Products Unit Assessment	unknown	552,000.00	552,000.00
$0.17 Cigarette Special Assessment	88,500,000.00	81,800,000.00	85,150,000.00
Total New Revenue Generated			
2014-96 (EAF+VPU)			71,752,000.00
2014-97, 2014-98, 2014-99 (EAF+VPU+CSA)			156,902,000.00
The Final Estimate of the Cigarette Special Asssessment is an Average of the DOR and BAP Estimates.			

The Department of Revenue suggests (for the 2014-97 to 99) measures that this increase "will result in a reduction to the individual income tax rate of .03 percent, decreasing general revenue by 206.3 million." The Department's estimate suggests they are estimating every .01 percent decrease in the income tax to equate to approximately $68.9 million dollars.

Similarly, the Office of Administration, Division of Budget and Planning estimates "each 0.1% reduction may reduce revenues by $69M or more." BAP suggests that for 2014-97 to -99, "the 'reduction factor' may be rounded up to as much as 0.3%, for a reduction of at least $207M."

Neither DOR nor BAP explain how they equate each 0.1% reduction to $69M in revenue. The Comprehensive Annual Financial Report for FY 2013, prepared by the Office of Administration and audited by you, the State Auditor, reports personal income tax revenue at

$6,374,093,816.00.[2] If you calculate the tax base, and then from that base, calculate the .1% reduction, a different number than the one put forth by BAP and DOR emerges.

Reduction Factor	
FY 2013 Income Tax Collections	6,374,093,816.00
Taxable Base (assuming 6% tax rate)	106,234,896,933.33
If the rate was 5.9%, taxable base is...	6,267,858,919.07
Difference (or .1% equates to...)	106,234,896.93

Based on the estimate that each .1% reduction equates to $106M, the tax rate would only be reduced to 5.9% for 2014-96 (for the $71.8 increase in revenues) and 5.7% for 2014-97 to 99 measures.

Office of Administration, Budget & Planning's Speculation

BAP states:

> ...the proposed subsection 27(b) requires the income tax rate to be "permanently reduced" effective the immediately ensuring tax year. This <u>could</u> be interpreted to mean that the rate of income tax is reduced every year, even <u>if</u> the collection of tobacco taxes remains stable or decreases, or <u>if</u> income taxes declines [sic]...It <u>might</u> follow that this proposal eliminates the income tax in twenty to sixty years...

(emphasis added). The speculation required to reach the conclusion that the proposed measure *could* eliminate $6 billion in revenue is evident from the language itself.

It is also based on a misinterpretation of the proposed measure. Any confusion about such language in 2014-096 to 2014-099 is clarified in 2014-118 to 2014-121. This new language completely extinguishes any possibility of the scenario described by BAP above.

[2]The Comprehensive Annual Financial Report for FY 2013, available at http://content.oa.mo.gov/sites/default/files/CAFR_2013.pdf

Fiscal Impact for 2014-118 to 2014-121

While the four measures before the Auditor are similar to the four that have previously been submitted, they are not identical. First, the measures change the assessment on VPU. BAP original estimated the sale of 24M mL of vapor products. This means there is approximately 81.2 M (.01) Fluid Ounces. At the rate of one cent, that translates to $0.812M. This change is reflected in the summary below.

	DOR	BAP	Final Estimates
	2015		
$0.55 Equity Assessment Fee	71,200,000.00	unknown	71,200,000.00
$.01 Vapor Products Unit Assessment	unknown		812,000.00
$0.17 Cigarette Special Assessment	88,500,000.00	81,800,000.00	85,150,000.00
Total New Revenue Generated			
2014-118 (EAF+VPU)			72,012,000.00
2014-119 (EAF+VPU+CSA)			157,162,000.00
2014-120 (VPU+CSA)			85,962,000.00
2014-121 (VPU)			812,000.00
The Final Estimate of the Cigarette Special Asssessment is an Average of the DOR and BAP Estimates.			

Based on the estimate that each .1% reduction in the income tax rate equates to $106M, Initiative Petitions 2014-118, 2014-120, and 2014-121 would only require a .1% reduction in the rate. Initiative Petition 2014-119 could require a .2% reduction in the income tax rate. Those reductions (due to rounding) will not equal the revenue generated, as pointed out by both DOR and BAP. The summary of the difference between the new revenue as a result of the fees or assessments and the reduced revenue as a result of a lower income tax rate is below.

	Total New Revenue Generated	Revenue Reduction due to Decreased Income Tax Rate	Difference (Potential Cost to State Government in 2015)
2014-118 (EAF+VPU)	72,012,000.00	106,234,896.93	-34,222,896.93
2014-119 (EAF+VPU+CSA)	157,162,000.00	212,469,793.86	-55,307,793.86
2014-120 (VPU+CSA)	85,962,000.00	106,234,896.93	-20,272,896.93
2014-121 (VPU)	812,000.00	106,234,896.93	-105,422,896.93

While losses in the amount of $34 to $105 million may initially sound like substantially losses, when compared with the $6.37 billion in income tax collections annually, any potential loss is quite minimal. Even the most significant loss of $105 million only equates to about a 1.65% loss of revenue in income tax collections as a result of the rate change.

	Loss Compared to Total FY 2013 Income Tax Collections (as a %)
2014-118 (EAF+VPU)	-0.53%
2014-119 (EAF+VPU+CSA)	-0.87%
2014-120 (VPU+CSA)	-0.32%
2014-121 (VPU)	-1.65%

Conclusion

Certainly any losses from the proposed measures in 2014-118 to 2014-121 are a far cry from the previous estimate of "$6 billion" over several decades. I urge you to closely examine these proposed measures and draft fiscal note summaries which (1) states the measure's cost or savings (2) specific to that initiative petition, and (3) within a reasonable time frame. A proposed statement of fiscal impact which I believe to be neither insufficient nor unfair is as follows:

> Annual state government revenue under this proposal may decrease by up to $[21 | 34 | 55 | 106] million dollars, equating to less than [1 | 1 | 1 | 2]% of total income tax revenue. The fiscal impact to local governments is unknown.

The State Auditor's office did not receive a response from the **Department of Transportation, Adair County, Boone County, Callaway County, Cass County, Clay County, Cole County, Greene County, Jackson County Legislators, Jasper County, St. Charles County, St. Louis County, Taney County,** the **City of Cape Girardeau,** the **City of Columbia,** the **City of Joplin,** the **City of Kirksville,** the **City of Kirkwood,** the **City of Mexico,** the **City of Raymore,** the **City of St. Joseph,** the **City of St. Louis,** the **City of Springfield,** the **City of Union,** the **City of Wentzville,** the **City of West Plains, Cape Girardeau 63 School District, Hannibal 60 School District, Rockwood R-VI School District, Linn State Technical College, Metropolitan Community College, University of Missouri, St. Louis Community College, Harris-Stowe State University**, **Lincoln University**, **Missouri State University**, **Missouri Southern State University**, **Missouri Western State University**, **Northwest Missouri State University,** and **Southeast Missouri State University.**

Fiscal Note Summary

Annual state revenue may initially decrease by $46 million to $55 million due to individual income tax revenue decreasing by more than the increased revenue from the proposal's provisions. In subsequent years, if the revenue collected from the proposal's provisions exceed those collected in the immediate preceding fiscal year, additional unknown decreases may occur.