

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5297-01
Bill No.: HB 1578
Subject: Children and Minors; Taxation and Revenue - General; Social Services Dept.
Type: Original
Date: February 14, 2012

Bill Summary: This proposal would exempt from state income tax all reimbursement payments made under a contract to provide respite care for foster children.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(Less than \$21,450)	(Less than \$21,450)	(Less than \$21,450)
Total Estimated Net Effect on General Revenue Fund	(Less than \$21,450)	(Less than \$21,450)	(Less than \$21,450)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Department of Social Services (DOSS)** assume that this proposal would have no fiscal impact on their organization. DOSS officials stated that they would still be required to provide federal information forms (1099) to the respite care providers because the payments would be subject to federal tax. In addition, DOSS officials stated that the total amount of such payments for FY 2011 was \$357,503.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume this proposal would not result in additional costs or savings to their organization.

BAP officials stated that this proposal would exempt from state income tax all reimbursement payments for contracted respite care services. According to data provided to BAP by the Department of Social Services for FY 2011, the Children's Division paid \$357,503 to foster respite providers. At the highest 6% income tax rate, this proposal could reduce General and Total State Revenues \$21,450.

Oversight assumes that some respite care providers would pay less than the highest state income tax rate and will use the BAP calculation as an estimate of the maximum fiscal impact.

ASSUMPTION (continued)

Officials from the **Department of Revenue** (DOR assume this proposal would allow for specific reimbursement payments to be exempt from taxation. The income tax exemption would create an unknown, negative impact on Total State Revenue. The Department of Social Services reported that \$357,503 was paid in FY 2011 to foster care respite providers. The estimated impact to total state revenue is \$21,450.

DOR officials stated that their organization would need to make form changes, and DOR and ITSD-DOR would need to make programming changes to various tax systems.

Administrative impact

DOR officials assume that Personal Tax would require one additional Temporary Tax employee to key returns, one additional FTE Revenue Processing Technician I (Range 10, Step L) per 19,000 additional errors, and one additional FTE Revenue Processing Technician I (Range 10, Step L) per 2,400 additional pieces of correspondence.

The DOR estimate of cost included one additional temporary tax season employee and two additional FTE, with related benefits, equipment, and expense, and totaled \$83,615 for FY 213, \$88,491 for FY 2014, and \$89,408 for FY 2015.

Oversight assumes the DOR estimate of expense and equipment cost for the new FTE could be overstated. If DOR is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2013 could be reduced by roughly \$6,000

Officials from the Department of Social Services could not provide the number of foster care respite providers for the year ended June 30, 2011, but were able to provide the total number of active contracts (2,405) for respite care services at December 31, 2011. Based on that number, **Oversight** assumes that a relatively minor number of income tax returns would have this new deduction and that the Department of Revenue could process those returns with existing resources. If an unanticipated additional workload is created or if multiple proposals are implemented which create a significant increase in the DOR workload, resources could be requested through the budget process.

ASSUMPTION (continued)

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$22,260 based on 840 hours of programming to make changes to DOR systems.

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

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE FUND			
Revenue reduction - income tax exemption	<u>(Less than \$21,450)</u>	<u>(Less than \$21,450)</u>	<u>(Less than \$21,450)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Less than \$21,450)</u>	<u>(Less than \$21,450)</u>	<u>(Less than \$21,450)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to a small business which provided respite care services for children in foster care.

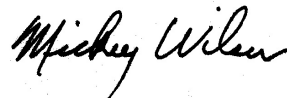
FISCAL DESCRIPTION

This proposal would exempt from state income tax all reimbursement payments made under a contract to provide respite care for foster children.

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

SOURCES OF INFORMATION

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Revenue
Department of Social Services



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Director
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