

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1205-01
Bill No.: HB 428
Subject: Tax Credits; Children and Minors
Type: Original
Date: March 2, 2015

Bill Summary: This proposal authorizes a tax credit for contributions to school foundations.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$50,000)	(\$39,345 to \$2,665,436)	(\$39,874 to \$2,663,888)
Total Estimated Net Effect on General Revenue	(\$50,000)	(\$39,345 to \$2,665,436)	(\$39,874 to \$2,663,888)

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
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 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	0 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	0 FTE	3 FTE	3 FTE

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Officials at the **Department of Elementary and Secondary Education (DESE)** assume this proposal reduces the state's tax revenues and decreases the amount of money available for public schools and all public school students. The program appears to be limited to \$2.5 million annually. The administration of tax credits is not an area with which DESE has experience. DESE will require 1.0 FTE supervisor and 2.0 FTE administrative assistant to carry out the many requirements of this proposal. DESE estimates FTE costs of approximately \$180,000 per year.

Oversight assumes DESE could perform the responsibilities of this proposal with 2 FTE. Should DESE experience the number of additional tax credit redemptions to justify another FTE, they could seek that FTE through the appropriation process.

Officials at the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** assume an unknown reduction of premium tax revenue as a result of the authorization of the tax credit for contributions to school foundations is possible. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

DIFP also assumes 56 hours of programming at an hourly rate of \$75 for a total of \$4,212.

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

Officials at the **Department of Administration's Division of Budget and Planning** assume this

ASSUMPTION (continued)

proposal would create a tax credit for individuals or certain companies that make contributions to organizations that provide funding for unmet health, hunger, and hygiene needs for children in school, beginning January 1, 2016. Taxpayers can claim a tax credit for an amount equal to 50% of their contribution, but will not exceed \$50,000 per taxable year. The tax credits are capped at \$2,500,000 annually, and issued on a first-come, first-serve basis. This proposal could therefore reduce General and Total State Revenues by this amount annually.

Oversight assumes the Department of Revenue would need computer programming costs (\$50,000) and an additional FTE to implement the responsibilities in this proposal. Should DOR experience the number of additional tax credit redemptions to justify another FTE, they could seek that FTE through the appropriation process.

Oversight assumes this proposal begins with tax years starting January 1, 2016, and therefore, the first time this would be claimed on a taxpayer's tax return would be FY 2017. Oversight will reflect the impact as \$0 (no credits claimed) to the \$2.5 million annual cap.

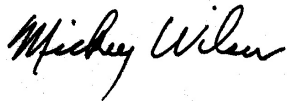
FISCAL DESCRIPTION

This proposal authorizes a tax credit for contributions to school foundations.

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

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Insurance, Financial Institutions, and Professional Registration
Department of Administration's Division of Budget and Planning



Mickey Wilson, CPA
Director
March 2, 2015

Ross Strobe
Assistant Director
March 2, 2015