

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4809-02  
Bill No.: HCS for HB 1614  
Subject: Tax Credits; Children and Minors  
Type: Original  
Date: March 29, 2016

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue*	(\$102,973)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$102,973)</b>	<b>\$0</b>	<b>\$0</b>

**\*Income tax credits offset by payments from qualifying organizations starting in FY 2018.**

**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.**

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Revenue** assume beginning January 1, 2017, the legislation allows a taxpayer a tax credit against their state tax liability for 50 percent of the amount donated to an organization that provides funding for unmet health, hunger, and hygiene needs for children in school. The provisions of this section prohibit any one taxpayer from claiming over \$50,000 per tax year. This legislation mandates the use of the taxpayer's contribution for unmet health, hunger, and children's hygiene needs.

The Department requires form and programming changes at a rate of \$75 per hour for a total of 504 hours for an approximate cost of \$37,827. The integrated tax system incurs additional costs of \$65,146 to implement the provisions of this legislation for a total of \$102,973.

Personal Tax requires one (1) Revenue Processing Technician I for every 6,000 credits claimed. Corporate Tax requires one (1) Revenue Processing Technician I for every 6,000 credits claimed. Collections & Tax Assistance requires two (2) Tax Collection Technicians I for every additional 15,000 contacts annually on the delinquent and non-delinquent tax line. Both technicians require CARES equipment and license.

**Oversight** notes that based on other pre-pay tax credits, redemptions have been minimal. Therefore, Oversight assumes DOR could implement the responsibilities in this proposal with current staff. Should DOR experience the number of additional tax credit redemptions to justify other 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 revenues as a result of the creation of a tax credit for contributions to a qualified organization that provides funding for unmet health, hunger and hygiene needs for children in school 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 through out 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 will require minimal contract computer programming to add these new tax credits to the premium tax database and can do so under existing appropriation. However, should multiple

ASSUMPTION (continued)

bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this 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, 2017. 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 qualified organizations are required to remit payment for these credits; therefore this proposal has no direct impact on General and Total State Revenues. However, if the contribution is to a qualifying charitable organization there may be indirect costs of up to 6 percent of the value of the contribution, depending on the deductibility of the contribution and the state income tax rate in effect.

Officials at the **Department of Social Services** assumes no fiscal impact from this proposal to their organization.

**Oversight** assumes that section 135.1910.6 requires payment from the provider equal to the amount of the value of the tax credit. Oversight assumes that receipt of payment and the application of the tax credits could affect various state funds, however, there is no cap on this credit. For the purpose of this note, Oversight will show all the payments and costs to General Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>GENERAL REVENUE</b>			
<u>Revenue</u> - payment for the tax credit filed with the application	\$0	\$0 to Could Exceed \$100,000	\$0 to Could Exceed \$100,000
<u>Cost</u> - creation of tax credit in §135.1910	\$0	\$0 to (Could Exceed \$100,000)	\$0 to (Could Exceed \$100,000)
<u>Cost</u> - DOR - computer programming	<u>(\$102,973)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(\$102,973)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

**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.**

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

For all tax years beginning on or after January 1, 2017, a taxpayer must be allowed to claim a tax credit against the taxpayer's state tax liability in an amount equal to 50% of the taxpayer's contribution to a qualified organization that provides funding for unmet health, hunger, and hygiene needs for children in school. The amount of the tax credit claimed must not exceed the amount of the taxpayer's state tax liability for the taxable year that the credit is claimed, and the

FISCAL DESCRIPTION (continued)

taxpayer is not allowed to claim a tax credit in excess of \$50,000 per taxable year. Any tax credit that cannot be claimed in the taxable year that the contribution was made may be carried over to the next four succeeding taxable years until the full credit has been claimed. A taxpayer's minimum contribution or contributions to a qualified organization or organizations must be \$100, except for any excess credit that is being carried over.

The Director of the Department of Social Services must determine, at least annually, which organizations in the state may be classified as qualified organizations and may require the organization seeking the classification to provide any information that is reasonably necessary to make the determination.

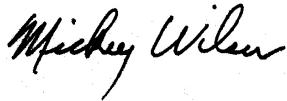
The director must establish a procedure, as specified in the bill, by which the cumulative amount of tax credits are equally apportioned among all organizations classified as qualified organizations. If a qualified organization fails to use all, or some percentage to be determined by the director, of its apportioned tax credits during the predetermined period of time, the director may reapportion these unused tax credits to those qualified organizations that have used all, or some percentage to be determined by the director, of their apportioned tax credits during this predetermined period of time. The director must provide the information to the Director of the Department of Revenue. The director must be subject to the confidentiality and penalty provisions of Section 32.057, RSMo, relating to the disclosure of tax information.

These provisions must not limit or in any way impair the department's ability to issue tax credits authorized on or before the date the program expires or a taxpayer's ability to redeem the tax credits. The provisions of the bill will expire on December 31, 2022.

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

SOURCES OF INFORMATION

Department of Revenue  
Department of Insurance, Financial Institutions, and Professional Registration  
Office of Administration's Division of Budget and Planning  
Department of Social Services



Mickey Wilson, CPA  
Director  
March 29, 2015

Ross Strobe  
Assistant Director  
March 29, 2015