

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6021-01  
Bill No.: HB 2297  
Subject: Tax Credits; Charities; Housing  
Type: Original  
Date: February 23, 2016

Bill Summary: This proposal authorizes a tax credit for donations to a homeless shelter.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$130,712 or Unknown)	\$0 to (\$2,500,000 or Unknown)	\$0 to (\$2,500,000 or Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>( \$130,712 or Unknown)</b>	<b>\$0 to (\$2,500,000 or Unknown)</b>	<b>\$0 to (\$2,500,000 or Unknown)</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.

<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 5 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

**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 **Office of Administration's Division of Budget and Planning** assume this proposal would create a tax credit for taxpayers that donate at least \$100 to a homeless shelter, beginning January 1, 2017. Taxpayers can claim a tax credit for an amount equal to 50% of their contribution, but the amount cannot exceed their state tax liability for the year or \$50,000. Issuances of these tax credits are capped at \$2,500,000 annually. This proposal could, therefore, reduce General Revenues by up to \$2,500,000 annually beginning in FY18.

Officials at the **Department of Revenue (DOR)** assume beginning January 1, 2017, taxpayers may claim a tax credit for 50 percent of the donation to a homeless shelter. No one taxpayer may claim more than \$50,000 per tax year. The Director of the Department of Social Services must annually classify which facilities are homeless shelters and establish a procedure for apportionment among all homeless shelters. The legislation sets the cumulative amount of tax credits at no more than \$2.5 million.

DOR would incur costs of \$130,712 to change the integrated tax system to implement the provisions of this proposal.

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 4,000 credits redeemed.

**Oversight** assumes the duties outlined in this proposal can be handled by current staff. Should DOR see an increase in responsibilities to justify additional FTE, they can seek those FTE through the appropriation process.

Officials at the **State Tax Commission** assume no fiscal impact from this proposal to their organization.

## ASSUMPTION (continued)

**Oversight** assumes the Department of Social Services (DSS) will see an impact from this

proposal. Oversight will show an Unknown impact to DSS.

**Oversight** assumes this proposal begins with tax years starting January 1, 2017, and therefore, the first time this would be claimed on a taxpayer's tax return would be FY 2018. Oversight will reflect the impact as \$0 (no credits claimed) to the \$2.5 million annual cap.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>GENERAL REVENUE</b>			
<u>Costs</u> - Department of Revenue - integrated tax system changes	(\$130,712)	\$0	\$0
<u>Costs</u> - Department of Social Services - administration	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - tax credit for contributions made to a homeless shelter	<u>\$0</u>	\$0 to <u>(\$2,500,000)</u>	\$0 to <u>(\$2,500,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>(\$130,712 or <u>Unknown</u>)</b>	<b>\$0 to (\$2,500,000 or <u>Unknown</u>)</b>	<b>\$0 to (\$2,500,000 or <u>Unknown</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

Beginning January 1, 2017, this bill authorizes a tax credit equal to 50% of a taxpayer's

contribution to a homeless shelter. The amount of the credit claimed cannot exceed \$50,000 per year. The credit is nonrefundable, cannot be assigned, transferred, or sold, but can be carried forward 4 years. With the exception of any credit carried over, to claim a tax credit, the total value of contributions to qualified organizations during the taxable year must be over \$100. The cumulative amount of tax credits cannot exceed \$2.5 million per tax year. The credits will be issued in the order contributions are received.

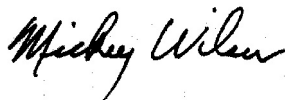
The Director of the Department of Social Services will determine which organizations are qualified and establish a procedure for taxpayers to determine which organizations are qualified and how the credits are apportioned. Each homeless shelter must provide relevant information to the Director of the Department of Revenue including who made a contribution and the amount of such contribution.

The provisions of this bill will expire December 31 six years after he effective date.

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  
Office of Administration's division of Budget and Planning  
State Tax Commission



Mickey Wilson, CPA  
Director  
February 23, 2016

Ross Strobe  
Assistant Director  
February 23, 2016