

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6838-01
Bill No.: HB 2759
Subject: Tax Credits; Business and Commerce; Probation and Parole; Taxation and Revenue - Income; Revenue, Department of
Type: Original
Date: April 4, 2016

Bill Summary: This proposal authorizes a tax credit for certain organizations working with ex-offenders.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(Unknown)	\$0 to (\$2,000,000)	\$0 to (\$2,000,000)
Total Estimated Net Effect on General Revenue	(Unknown)	\$0 to (\$2,000,000)	\$0 to (\$2,000,000)

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 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 5 pages.

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

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

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 2017	FY 2018	FY 2019
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 **Office of Administration's Division of Budget and Planning** assume the proposal would create a new tax credit program to be administered by the Department of Revenue for taxpayers who make donations over \$100 to an approved qualified organization that works to promote and encourage ex-offender's reintegration into society and avoid reincarceration. The taxpayer could claim up to 50% of the contribution for each taxable year beginning January 1, 2017, including contributions made during any of the prior three tax years. Therefore, General and Total State Revenues may be reduced as early as FY 2018. There is a \$2,000,000 annual cap on the credits.

Oversight assumes the Department of Revenue (DOR) will see computer programming costs to update the tax system. Oversight will show this as a one-time cost in FY 2017.

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 million annual cap.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Revenue Reduction</u> - creation of tax credit	\$0	\$0 to (\$2,000,000)	\$0 to (\$2,000,000)
<u>Cost</u> - DOR - computer programming	<u>(Unknown)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Unknown)</u>	<u>\$0 to (\$2,000,000)</u>	<u>\$0 to (\$2,000,000)</u>

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 taxpayer to receive a tax credit equal to 50% of the amount of any donation made to an organization that works with ex-offenders to reduce recidivism. Tax credits are non-refundable but may be carried forward for four years. A taxpayer must donate at least \$100 to receive the credit.

The Department of Corrections is charged with determining whether an organization is qualified. To be qualified, an organization must be a valid 501(c)(3) organization that has reduced recidivism in the group of ex-offenders it has worked with by at least 70%. The director of the department must establish a procedure for taxpayers to determine which organizations are qualified and notify the Department of Revenue of any taxpayer wishing to claim a credit. The Department of Revenue may authorize up to \$2 million in tax credits under this section.

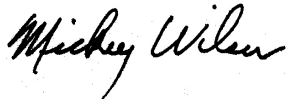
The provisions of the bill will expire six years from the effective date.

FISCAL DESCRIPTION (continued)

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 Administration's Division of Budget and Planning



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April 4, 2016

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April 4, 2016