COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4452-04
Bill No.: Perfected HCS for HB Nos. 1589 & 2307
Subject: Education, Elementary and Secondary; Tax Credits; Social Services, Department of
Type: Original
Date: April 20, 2015

Bill Summary: This proposal authorizes tax credits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(Could Exceed $25,536,585)	(Could Exceed $32,148,931)	(Could Exceed $32,144,509)
Total Estimated Net Effect on General Revenue	**(Could Exceed $25,536,585)**	**(Could Exceed $32,148,931)**	**(Could Exceed $32,144,509)**

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 Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 16 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	2 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	**2 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 2017	FY 2018	FY 2019
Local Government	**Unknown**	**Unknown**	**Unknown**

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Elementary and Secondary Education** (**DESE**) assume §135.713 enacts a tax subsidy not to exceed $25 million, which amount shall be annually adjusted by the Department of Economic Development for inflation based on the consumer price index for all urban consumers for the Midwest region. Tax subsidies reduce the state's tax revenues and decrease the amount of money available for public schools and all public school students.

§166.710.2 The frequency language of the audits is not clear. As written, it appears DESE would conduct random audits, quarterly audits, and annual audits. For each account, this could mean at least 7 audits per year (2 random, 4 quarterly, and 1 annual). $5,000 per audit (7 per year) = $35,000 per account. DESE cannot predict the potential number of accounts.

Oversight will show an impact of Could exceed $100,000 for the audits annually.

§166.710.4
(3) DESE would incur unknown costs to create an online anonymous fraud reporting service.

(4) DESE would incur unknown costs to create an anonymous telephone hotline for fraud reporting.

(5) DESE would incur unknown costs to acquire surety bonds for account holders.

Oversight will show one time cost of Could exceed $100,000 to create the online anonymous fraud reporting service and the anonymous telephone hotline for fraud reporting.

§135.2000 Tax subsidies reduce the state's tax revenues and decrease the amount of money available for public schools and all public school students. The program appears to be limited to $5 million annually.

§210.1500 DESE will likely incur costs to prepare and maintain a searchable database containing statewide assessment scores of all recipients; however, those costs will not likely be significant.

Officials at the **Department of Revenue** (**DOR**) assume §135.713 creates a tax credit for taxes due under Chapters 143 and 153 for 100 percent of contributions to an educational assistance organization. The tax credits may not exceed $25 million per fiscal year but the cap is adjusted for inflation. The Director of the Department of Economic Development establishes a procedure

ASSUMPTION (continued)

that allows for equal apportionment among the organizations to the maximum extent possible if the annual cap is exceeded.

Personal Tax requires two Revenue Processing Technicians I for tax credit redemption and tax credit transfers. Corporate Tax requires three Revenue Processing Technicians I for tax credit redemptions, tax credit transfers, correspondence.

The new Integrated Tax System incurs additional costs of $65,520 to implement the provisions of this legislation.

§135.2000 Beginning with tax year 2017, a taxpayer is authorized a tax credit of 50 percent of the amount contributed to a qualified agency evidenced by a contribution verification issued to the taxpayer. Before December 31 of each year, the Department of Social Services provides the Department of Revenue with a list of qualified agencies. This tax credit cannot exceed 50 percent of the taxpayer's state tax liability and the legislation sets the cap at $25,000 per taxable year. To qualify, contributions must be at least $100, but no more than $50,000.

The Department requires form and programming changes at a rate of $75 for 504 hours for an approximate cost of $37,800. The integrated tax system incurs additional costs of $65,146 to implement the provisions of this legislation.

Personal Tax requires one Revenue Processing Technician I for tax credits claimed. Corporate Tax requires one Revenue Processing Technician I for tax credits redeemed. Collections & Tax Assistance will see additional customer contacts about the tax credit and notice of adjustments. The section requires two Tax Collection Technicians I for contacts on the delinquent and non-delinquent lines. Each technician requires CARES equipment and license.

In summary, DOR has requested 9 additional FTE at an approximate cost of $150,000 per year for salary and fringe benefits, approximately $63,000 in FY 17 for equipment and expenses and $11,000 every year thereafter, and a one time cost of $168,466 for computer programming.

Oversight assumes DOR could perform the responsibilities of this proposal with 1 FTE. Should DOR experience the number of additional tax credit redemptions to justify another FTE, they could seek that FTE through the appropriation process.

Oversight has, for fiscal note purposes only, changed the starting salary for the Revenue Processing Technician I ($25,884) to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual

ASSUMPTION (continued)

starting salaries for new state employees over the last six months and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Officials at the **Office of Administration's Division of Budget and Planning** (**BAP**) assume this proposal would establish the "Missouri Empowerment Scholarship Accounts Program" and create a tax credit for individuals and certain businesses that make qualifying contributions to an educational assistance organization, beginning January 1, 2016. Taxpayers may claim a tax credit for an amount equal to 100% of their contribution, but the amount cannot exceed their state tax liability for the tax year in which the credit is claimed. Issuances of these tax credits are capped at $25,000,000 annually, but that amount must be annually adjusted by Department of Economic Development (DED) based on the consumer price index for all urban consumers in the Midwest region.

DED could receive no more than 2% of the qualifying contributions for marketing and administrative expenses or for the costs incurred in administering the programs, whichever is less. The department would need to establish spending authority through the appropriations process in order to utilize these funds for any expenses.

This proposal would create a tax credit for individuals or certain companies that make contributions to the foster child education fund, beginning January 1, 2017. Taxpayers can claim a tax credit for an amount equal to 50% of their contribution, but the amount cannot exceed either 50% of their state tax liability for the year or $25,000. Issuances of these tax credits are capped at $5,000,000 annually. This proposal could, therefore, reduce General Revenues by $5,000,000 annually beginning in FY18. BAP notes the total amount of credits which are issued but not redeemed is capped at $15,000,000 in any fiscal year.

Through the creation of the two new tax credit programs, this proposal could reduce general revenues by $25,000,000 starting FY17, and then up to $30,000,000 annually beginning in FY18. Because the proposal also directs that Empowerment program maximum be adjusted for inflation, this proposal may reduce General and Total State Revenues by additional amounts in subsequent years.

In response to similar legislation filed this year, SB 609, officials at the **Department of Economic Development** (**DED**) assumed they would be required to administer the program. This would require reviewing and issuing credits, ensuring educational assistance organizations meet their obligations under the law, and promulgating rules to implement the program. This would require DED hire two FTE. The estimated FTE cost is $146,486 in FY 2017.

ASSUMPTION (continued)

Oversight notes this proposal allows DED to receive up to 2% of the qualifying contributions for marketing and administration. Due to the cap of the tax credit, Oversight assumes this tax credit will be largely utilized. Therefore, Oversight will show 2% of the annual cap ($25,000,000 x 2% = $500,000) as a revenue to DED.

Officials at the **Office of the State Treasurer** and the **Joint Committee on Administrative Rules** each assume no fiscal impact from this proposal to their respective organizations.

Oversight notes there could be a savings to the local subdivisions if the scholarships provided by the Foster Child Education Fund allow children that previously attended public schools to attend private schools. **Oversight** notes that the program could affect the Foundation Formula distribution. **Oversight** assumes the net effect on all school districts would be zero.

Oversight assumes §135.713 of 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 $25 million annual cap in FY 2017 and $0 (no credits claimed) to Could Exceed $25 million in FY 2018 & 2019.

Oversight assumes §135.2000 of 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 $5 million annual cap.

In response to a previous version, officials from the **Office of the Secretary of State (SOS)** stated 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 SOS 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, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

ASSUMPTION (continued)

House Amendment 1

In response to similar legislation filed this year (HB 2759), officials at the **Office of Administration's Division of Budget and Planning** assumed 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.

In response to similar legislation filed this year (HB 2759), officials at the **Department of Insurance, Financial Institutions and Professional Registration** assumed an unknown reduction of premium tax revenues as a result of the creation of a tax credit for contributions to certain organizations working with ex-offenders 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.

The department 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 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.

In response to similar legislation filed this year (HB 2759), officials at the **Department of Revenue** (**DOR**) assumed beginning January 1, 2017, the legislation allows taxpayers a 50 percent credit for contributions to qualified organizations made in the past three tax years. Qualified organizations are 501(c)(3) organizations that have been helping ex-offenders to reintegrate into society for over one year.

Personal Tax requires one Revenue Processing Technician I per 6,000 tax credits claimed. Corporate Tax requires one Revenue Processing Technician I per 4,000 tax credits redeemed. Collections & Tax Assistance will see additional customer contacts from this legislation and notice of adjustments. The section requires two Tax Collection Technicians I one for every additional 15,000 contacts annually on the non-delinquent tax line and one for every additional 15,000 contacts annually on the delinquent tax line. Each technician requires CARES equipment

ASSUMPTION (continued)

and license.

In order to implement the provisions of this legislation, the integrated tax system requires updates at a cost of $65,146.

In response to similar legislation filed this year (HB 2759), officials at the **Department of Corrections** (**DOC**) assumed the bill proposes to allow persons to claim tax credits for contributions made to non-profit organizations that have been accredited by the Department of Corrections to provide reentry services if those organizations can provide documentation that they have provided reentry services to offenders who, in aggregate, have a recidivism rate that is seven percent lower than the statewide average.

There does not appear to be a simple manner in which to use recidivism as a qualifying factor for determining the qualifications of organizations in order to claim the tax credit.

The DOC does develop and publish recidivism statistics each year. The most common statistic is to look at the return to prison after first release within two years of being released from prison. This rate is used for all offenders released from prison and is not specific to the offender's risk to reoffend or the level of need for reentry services. Using this recidivism rate as a baseline to compare each organization's efforts to qualify for the tax credit does not account for an individual offender's risk to return to prison or need for reentry services. The risk level and need for services may be attributable to the type of crime or the offender's history such as educational achievement, substance abuse history and employment skills.

The DOC does not track the majority of these offenders through our Program Tracking system so it would be difficult to project which offenders would be impacted by the reentry services and what the impact would be. The DOC can calculate a recidivism rate for an organization but if risk and needs are not taken into effect, it could result in some unfairness in determining the qualifications of organizations wishing to be included in the tax credit. Organizations could provide a range of services (substance abuse treatment, sex offender housing, employment services, etc.) that would make it difficult to rate them under one baseline standard.

Under this legislation, the Department Director is responsible for certifying organizations for the tax credit. There appear to be over a thousand organizations who could apply to be qualified for the tax credit and it could take a significant amount of administrative time to track and respond to the requests.

This legislation is designed to increase the amount of reentry services provided or increase the chance of released offenders successfully remaining in the community. The DOC has cost avoidance as follows for each offender that doesn't return to prison or supervision: the FY15

ASSUMPTION (continued)

average cost of supervision is $6.04 per offender per day or an annual cost of $2,205 per offender. The DOC cost of incarceration is $16.809 per day or an annual cost of $6,135 per offender.

A very significant issue is whether only measuring the recidivism of the organization's programs provides any indication of the efficiency of providing the tax credit. The current activities of the organizations are already included in the overall recidivism statistics. The effectiveness of the tax credit would seem to be in encouraging additional donations to provide for increased or enhanced services. That is not measured by recidivism and DOC's lack of interaction with many of these providers would make it difficult to determine if any additional offenders would be impacted by the tax credit.

Therefore, the impact of this legislation is "Unknown".

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.

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.

House Amendment 2

Oversight assumes House Amendment 2 will have no fiscal impact.

House Amendment 3

In response to similar legislation filed this year (HB 1614), 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.

ASSUMPTION (continued)

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.

In response to similar legislation filed this year (HB 1614), 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 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.

In response to similar legislation filed this year (HB 1614), 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.

ASSUMPTION (continued)

In response to similar legislation filed this year (HB 1614), 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.

FISCAL IMPACT - State Government	FY 2017 (10 Mo.)	FY 2018	FY 2019
Revenue - payment for the tax credit filed with the application §135.1910	$0	$0 to Could Exceed $100,000	$0 to Could Exceed $100,000
Cost - creation of tax credit in §135.1910	$0	$0 to (Could Exceed $100,000)	$0 to (Could Exceed $100,000)
Cost - DOR - computer programming §135.1910	($102,973)	$0	$0
Revenue Reduction - creation of tax credit §135.435 to organization's to assist ex-offenders with reducing recidivism	$0	$0 to ($2,000,000)	$0 to ($2,000,000)
Cost - DOC - administrative expenses §135.435	(Unknown)	(Unknown)	(Unknown)
Cost - DOR - computer programming §135.435	($65,146)	$0	$0
Revenue Reduction - creation of tax credit §135.2000 & §210.1500 (50%) for donations to provide scholarships for children in protective custody	$0	$0 to ($5,000,000)	$0 to ($5,000,000)
Revenue Reduction - creation of educational assistance tax credit §135.713 (100%)	$0 to ($25,000,000)	$0 to (Could Exceed $25,000,000)	$0 to (Could Exceed $25,000,000)
Revenue - DED - collection of 2% fee §135.716.5 ($25m x 2% = $500,000)	Up to $500,000	Up to $500,000	Up to $500,000
Cost - DESE - audits §166.710.1	(Could Exceed $100,000)	(Could Exceed $100,000)	(Could Exceed $100,000)
Cost - DESE - one time setup of on-line and telephone fraud reporting systems §166.710.4	(Could Exceed $100,000)	$0	$0

FISCAL IMPACT - State Government (continued)	FY 2017 (10 Mo.)	FY 2018	FY 2019
Cost - DED			
Personal Service	($86,820)	($105,226)	($106,278)
Fringe Benefits	($40,539)	($48,932)	($49,219)
Equipment and Expenses	($19,127)	($7,833)	($8,030)
Total Cost - DED	($146,486)	($161,997)	($163,527)
FTE Change	2 FTE	2 FTE	2 FTE
Cost - DOR			
Personal Service	$0	($25,884)	($26,143)
Fringe Benefits	$0	($15,482)	($17,234)
Equipment and Expenses	$0	($7,565)	($1,132)
Integrated System Changes §135.713	($65,520)	$0	$0
Integrated System Changes §135.2000	($65,146)	$0	$0
Computer Programming	($37,800)	$0	$0
Total Cost - DOR	($168,466)	($48,931)	($44,509)
FTE Change - DOR	0 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	**(Could Exceed $25,536,585)**	**(Could Exceed $32,148,931)**	**(Could Exceed $32,144,509)**
Estimated Net FTE Change on General Revenue	2 FTE	3 FTE	3 FTE

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.**

FISCAL IMPACT - Local Government	FY 2017 (10 Mo.)	FY 2018	FY 2019
LOCAL SUBDIVISIONS			
Savings - scholarships allow children that previously attended public schools to attend private schools	Unknown	Unknown	Unknown
NET EFFECT ON LOCAL SUBDIVISIONS	**Unknown**	**Unknown**	**Unknown**

FISCAL IMPACT - Small Business

Small businesses that qualify for the tax credits could be positively impacted.

FISCAL DESCRIPTION

Beginning January 1, 2017, this bill authorizes a tax credit equal to 50% of a taxpayer's cash donations to be used solely for providing scholarships to eligible recipients to attend a private elementary or secondary school in this state. For the donation to qualify for this credit, it must be at least $100 and not more than $50,000. The credit is limited to 50% of the taxpayer's state tax liability for the taxable year the credit is claimed, cannot exceed $25,000 per taxpayer, per taxable year, and is capped at $5 million per fiscal year and issued but not redeemed credit at $15 million per fiscal year. The credit cannot be refunded, or sold, but can be carried forward for three years.

An eligible recipient is a school-aged child enrolled in grades K- 12 in state protective custody for at least 12 of the last 48 months. The credit is available to individuals, firms, partners, limited liability company members, shareholders, corporations, insurance companies, financial institutions, political subdivisions, express companies, and charitable organizations with Missouri unrelated business taxable income.

A scholarship is an annual grant to eligible recipients to cover all or part of the applicable tuition and fees at a qualified school. The amount must be the lesser of the previous year's tuition and fees for non-scholarship students at the qualified school or 90% of the previous year's average current expenditure per average daily attendance for the student's district of residence or the tuition amount set by the voluntary interdistrict coordinating council for the student's district of residence, if applicable. Any scholarship recipient will continue to be eligible to receive his or her scholarship upon a legal adoption, or after graduation from the qualified school he or she first received a scholarship if attending a new qualified school.

The Department of Elementary and Secondary Education will establish rules to implement this credit, issue tax credit certificates, grant scholarships, and prepare and maintain an easy-to-search database containing statewide assessment scores of all scholarship recipients.

This bill establishes the "Missouri Empowerment Scholarship Accounts Program" (§135.713 - §135.716 and §166.705 - §166.720) to help ensure the education of students in Missouri.

Education Assistance Organization Tax Credit (§135.713) - Beginning in tax year 2016, a taxpayer may make a qualifying contribution to an educational assistance organization and claim a tax credit, as specified in the bill. The tax credit is for 100% of the amount of the contribution. The tax credit may be carried forward for four years and may be transferred, sold, or assigned. The annual cumulative amount of tax credits is limited at $50 million, which will be adjusted for

FISCAL DESCRIPTION (continued)

inflation. The Director of the Department of Economic Development must establish a procedure to apportion the amount of tax credits amongst all educational assistance organizations. The director may reapportion those tax credits to educational assistance organizations that have used all, or a certain percentage, of their tax credits.

Provisions of §135.713 - §135.716 will sunset six years after the effective date of this proposal.

House Amendment 1

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.

House Amendment 3

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 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

FISCAL DESCRIPTION (continued)

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 Elementary and Secondary Education
Department of Revenue
Office of Administration's Division of Budget and Planning
Office of the State Treasurer
Joint Committee on Administrative Rules
Office of the Secretary of State
Department of Economic Development
Department of Corrections
Department of Social Services

Mickey Wilson

Mickey Wilson, CPA	Ross Strope
Director	Assistant Director
April 20, 2015	April 20, 2015

SJ:LR:OD