

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4345-03
Bill No.: HCS for HB 1581
Subject: Revenue Department; Taxation and Revenue
Type: Original
Date: April 4, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(\$34,895 to \$2,034,895)	(\$35,331 to \$2,035,331)	(\$36,218 to \$2,036,218)
Total Estimated Net Effect on General Revenue Fund	(\$34,895 to \$2,034,895)	(\$35,331 to \$2,035,331)	(\$36,218 to \$2,036,218)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (BAP)** assumes this bill creates an income tax credit equivalent to 50% of a qualifying contribution to an emergency food pantry. A taxpayer is allowed a maximum credit of \$2,500, and the total amount of credits to be issued under this program shall not exceed \$2 million in a given fiscal year.

BAP assumes it is likely that this ceiling would be reached. This proposal will lower General and Total State Revenues by \$2 million.

Officials from the **Office of Secretary of State (SOS)** state 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 \$1,500. 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.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** state taxpayers could encompass corporations, franchises, partnerships, sole proprietorships, as well as individuals. The corporate tax section expects a large number of taxpayers to use this credit and therefore requires 1 Tax Processing Technician I to track, apportion, and process the new credit.

This new tax credit contains a carry-forward provision of 4 years. This is a manual process for the Personal Tax area, requiring 1 Tax Processing Technician I per every 4,000 credits claimed. In summary, DOR assumes the need for 2 FTE (each at \$22,992 annually) to administer the new tax credit program. DOR estimates the cost of the FTE to be roughly \$90,000 per year.

Since this is a relatively small program (\$2 million annual cap), **Oversight** assumes DOR will be able to administer the new program with one additional FTE and that DOR will not pay for additional floor space for the new person.

Oversight will range the fiscal impact of the new tax credit program from \$0 (no taxpayers taking advantage of the tax credit) to the annual cap of \$2,000,000. This tax credit is for tax years beginning on or after January 1, 2006, therefore there could be a reduction in revenue collections in FY 2007.

This proposal will reduce Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
<u>Cost - Department of Revenue (DOR)</u>			
Personal Service (1 FTE)	(\$19,639)	(\$24,156)	(\$24,760)
Fringe Benefits	(\$8,653)	(\$10,643)	(\$10,910)
Expense and Equipment	<u>(\$6,603)</u>	<u>(\$532)</u>	<u>(\$548)</u>
<u>Total Costs - DOR</u>	(\$34,895)	(\$35,331)	(\$36,218)
<u>Loss - Department of Revenue</u>			
Tax credit for donations to food pantries	\$0 to <u>(\$2,000,000)</u>	\$0 to <u>(\$2,000,000)</u>	\$0 to <u>(\$2,000,000)</u>
ESTIMATED NET EFFECT TO GENERAL REVENUE	(\$34,895 to <u>\$2,034,895</u>)	(\$35,331 to <u>\$2,035,331</u>)	(\$36,218 to <u>\$2,036,218</u>)

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<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.

DESCRIPTION

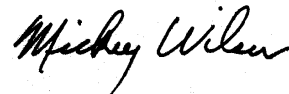
This proposal authorizes an income tax credit for donations of cash or food to any local food pantry. The amount of the tax credit will be equal to one-half the value of the donation and cannot exceed \$2,500 per taxpayer. The cumulative amount of the tax credit issued to all taxpayers will be \$2 million per year. The Director of the Department of Revenue will establish the procedure for allotment of the tax credits so that all eligible taxpayers will receive a share of the credits available for the fiscal year.

The provisions of the bill will expire four years from the 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 the Secretary of State
Office of Administration - Budget and Planning



Mickey Wilson, CPA
Director
April 4, 2006