

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0046-04
Bill No.: SCS for HB 69
Subject: Children and Minors; Disabilities; Revenue Department; Tax Credits; Taxation and Revenue
Type: Original
Date: May 14, 2009

Bill Summary: This proposal allows adoption resource centers to participate in the Children in Crisis Tax Credit program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue*	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue Fund*	\$0	\$0	\$0

* Potential increase in tax credits issued.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

In response to a previous version of this proposal, officials from the **Office of Administration - Budget and Planning (BAP)** stated the proposal provides tax credits under the Children in Crisis program for certain adoption resource centers. In FY 2008, the total allocation for the Adoption tax credit program was \$4 million and \$3.4 million was redeemed between the Adoption and Children in Crisis programs. Thus, general and total state revenues may be reduced up to an additional \$600,000 each fiscal year.

Officials from the **Department of Revenue (DOR)** assume the proposal would not have a direct impact to Total State Revenue; however, additional taxpayers may be eligible to claim the credit and the General Assembly has the authority to appropriate additional funding.

DOR assumes the need for one Revenue Processing Technician (at \$25,380) for:

- every 4,000 credits claimed in Personal Tax;
- every 5,200 additional errors in Corporate Tax;
- and every 2,080 pieces of additional correspondence in Corporate Tax.

DOR estimates the total expense of the three additional FTE to be roughly \$125,000 per year.

Due to the Statewide Information Technology Consolidation, DOR's response to a proposal will now also reflect the cost estimates prepared by OA-IT for impact to the various systems. As a result, the impact shown may not be the same as previous fiscal notes submitted. In addition, if the legislation is Truly Agreed to and Finally Passed, the OA-IT costs shown will be requested through appropriations by OA-IT.

Office of Administration Information Technology (ITSD DOR) estimates the IT portion of this request can be accomplished within existing resources, however; if priorities shift, additional FTE/overtime would be needed to implement. The Office of Administration Information Technology (ITSD DOR) estimates that this legislation could be implemented utilizing 1 existing CIT III for 1 month for system modifications to COINS, Café, and E-file. The estimated cost is \$4,441.

Oversight assumes DOR will be able to administer the program with existing resources.

Officials from the **Department of Social Services (DOS)** state this bill creates the Adoption Resource Center Tax Credit. The credit is funded from the unclaimed Resident Adoption Tax Credit. The Children in Crisis Tax Credit is also funded from the unclaimed Resident Adoption

ASSUMPTION (continued)

Tax Credit. Donations to CASAs, child advocacy centers and crisis care centers are qualified for the Children in Crisis Tax Credit.

In the original House bill, adoption resource centers were added to the three other agencies that qualified for the Children in Crisis Tax Credit and the unclaimed Resident Adoption Tax Credit was divided equally among the four types of agencies. In this substitute, adoption resource centers are defined as an "eligible" agency, but not as a "qualified" agency. The Adoption Resource Center Tax Credit is subordinate to the Children in Crisis Tax Credit. In other words, an adoption resource center tax credit may only be claimed after all children in crisis tax credits have been claimed.

Nevertheless, the fiscal impact, which is zero, is the same as FN 0046-01.

The Division of Finance and Administrative Services will likely have to process more applications by agencies (assuming adoption resource centers apply to be qualified agencies). There will also likely be more questions that come in to the Division of Finance and Administrative Services regarding the tax credit. These functions are already being performed for other tax credits. The volume by this broadening of the definition of eligible agencies should not create enough work to justify another FTE. The functions should be able to be absorbed by existing staff. No anticipated fiscal impact to the agency.

This bill will have no fiscal impact on the Children's Division as it is funded by the state through tax credits from the unclaimed portion of the resident adoption tax credit.

Officials from the **Department of Economic Development** and the **Department of Health and Senior Services** each assume this proposal would not fiscally impact their respective agencies.

Oversight assumes the proposal does not create an additional tax credit, but simply expands the current special needs adoption tax credit to include donations to Adoption Resource Centers. The credits claimed in the previous two years have totaled \$3.1 million in FY 2007 and \$3.4 million in FY 2008. The Department of Revenue projected redemption amounts of \$4 million (program cap) in both FY 2009 and FY 2010.

Currently under the program, the \$4 million annual cap may be increased by appropriation and is split between resident and non-resident adoptions. Oversight assumes with this proposal the annual limit will remain at \$4 million. Oversight assumes the changes within this proposal may increase the utilization of the \$4 million cap; however, since we have already reflected a potential annual loss of up to \$4 million per year from this section in statute, Oversight will assume this

ASSUMPTION (continued)

proposal will not have further impact to state revenues. For budgeting purposes, Oversight will assume the addition of another benefactor of the \$4 million program, this proposal could result in the savings of \$600,000 (cap of \$4 million less the amount of redemptions in FY 2008 of \$3.4 million) being utilized under a different program.

This proposal could reduce Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE			
<u>Savings</u> - Special Needs Adoption and Children in Crisis Tax Credits (available to new program)	\$0 to \$600,000	\$0 to \$600,000	\$0 to \$600,000
<u>Costs</u> - tax credit now available contributions made to adoption resource centers	<u>\$0 to (\$600,000)</u>	<u>\$0 to (\$600,000)</u>	<u>\$0 to (\$600,000)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<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

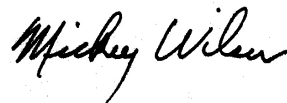
This proposal defines "adoption resource center" as an agency licensed, contracted, or funded by the state providing pre- and post-adoption services to families for preventing adoption disruption and recruiting adoptive parents.

For all tax years beginning on or after January 1, 2009, a tax credit may be claimed in an amount equal to up to fifty percent of a verified contribution to an eligible agency (defined as any adoption resource center located within the state) and shall be named the adoption resource center tax credit. The cumulative amount of tax credits redeemed shall not exceed the unclaimed portion of the resident adoption category allocation after all children in crisis tax credits have been claimed. After all adoption resource center tax credits have been claimed, any remaining unclaimed portion of the reserved allocation of adoptions of special needs children who are residents or wards of residents of this state shall then be made available for adoption tax credit claims of special needs children who are not residents or wards of residents of this state at the time the adoption is initiated.

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 Economic Development
Office of Administration - Budget and Planning
Department of Revenue
Department of Social Services
Department of Health and Senior Services



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Director
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