

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1073-01
Bill No.: HB 286
Subject: Taxation and Revenue - Income; Charities; Revenue Dept.
Type: Original
Date: February 23, 2011

Bill Summary: Would create a tax refund check-off for the American Red Cross.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
American Red Cross Trust	More than \$100,000	More than \$100,000	More than \$100,000
Total Estimated Net Effect on Other State Funds	More than \$100,000	More than \$100,000	More than \$100,000

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
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 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume 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 Secretary of State's Office 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, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

Officials from the **Office of the State Treasurer** assume this proposal would have no fiscal impact to their organization.

Officials from the **Department of Revenue (DOR)** assume that beginning January 1, 2011, individuals or corporations entitled to a tax refund could designate one dollar (\$1.00) or more on a single return, and two dollars (\$2.00) or more on a combined return, of the refund due to be credited to the American Red Cross Trust Fund. If individuals or corporations not entitled to a refund wish to make a contribution to the fund, they could send in with their payment of taxes, or send in separately, that amount the individual or corporation wishes to contribute.

The proposal would also create the "American Red Cross Trust Fund", and DOR would deposit at least monthly all contributions designated by individuals under this section to the state treasurer for deposit to the fund. The provisions would sunset December 31, six years after the effective date unless reauthorized by the General Assembly.

DOR would need to make changes to forms and instructions, and DOR and ITSD-DOR would need to make programming changes to various tax systems.

Oversight assumes the proposal could be implemented with existing resources since DOR officials did not indicate any administrative impact to implement this proposal.

ASSUMPTION (continued)

IT impact

DOR officials provided an estimate of the IT cost to implement the proposal of \$26,712 based on 1008 hours of programming to various DOR systems.

Oversight assumes ITSD-DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes ITSD-DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, ITSD-DOR could request funding through the appropriation process.

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would not result in additional costs or savings to their organization.

BAP officials stated that this proposal would create an income check-off to benefit a fund established in this proposal: the American Red Cross Trust Fund. Taxpayers could designate a portion of their refund to the fund, and taxpayers could also write a check for donations to the fund.

To the extent the check-off is used, this proposal would increase total state revenues. BAP notes that \$324,237 in designations were made via income tax check-off in FY10.

Oversight assumes that the participation rate and the amount of revenue which could be provided for the American Red Cross Trust Fund through this proposed check-off program are unknown.

Oversight notes that the Office of Administration, Division of Budget and Planning response indicated a total of \$324,327 in donations were made for all income tax check-off programs during FY 2010. For fiscal note purposes, Oversight will indicate annual revenue in excess of \$100,000 for the American Red Cross Trust Fund. The program would be effective for tax years beginning January 1, 2011, and Oversight assumes the donations would be made from refunds beginning in January, 2012 (FY 2012).

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
AMERICAN RED CROSS TRUST FUND			
<u>Revenue - donations</u>	<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>
ESTIMATED NET EFFECT ON AMERICAN RED CROSS TRUST FUND	<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2012 (10 Mo.)	 FY 2013	 FY 2014
	<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

The proposed legislation would create a tax refund check-off for the American Red Cross..

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Office of the Secretary of State
Office of the State Treasurer
Office of Administration
 Division of Budget and Planning
Department of Revenue



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Director
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