COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0416-03
Bill No.: HCS for HB 87
Subject: Disabilities; Social Services Department; Taxation and Revenue - Income; Tax Credits
Type: Original
Date: January 30, 2013

Bill Summary: This proposal modifies provisions of law regarding certain benevolent tax credits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue *	($2,883,179)	($2,920,145)	($2,920,145)
Total Estimated Net Effect on General Revenue Fund	**($2,883,179)**	**($2,920,145)**	**($2,920,145)**

*** These credits have an annual cap that could raise the above stated revenue reduction to no more than $8,100,000 per year.**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

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.

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
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 2014	FY 2015	FY 2016
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

§ 135.090 Surviving Spouse
According to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Surviving Spouse tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Issued	$22,363	$16,861	$32,793
Amount Redeemed	$22,363	$16,861	$32,793

Oversight assumes this tax credit was to sunset on August 28, 2013 (FY 2014). This part of the proposal extends the tax credit until December 31, 2019 (FY 2020); therefore, **Oversight** will show a loss to state revenue for the credits that may be issued in FY 2015 and FY 2016. This tax credit does not have an annual cap. **Oversight** will reflect a loss of revenue to the State equal to the average amount issued over the last four years ($20,468).

§ 135.327 Children In Crisis
According to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Children in Crisis tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Issued	$420,857	$587,137	$629,456
Amount Redeemed	$420,857	$587,137	$629,456

Oversight assumes the Children In Crisis tax credit previously sunset on August 28, 2012. This part of the proposal extends this tax credit beginning on the effective date of this act (FY 2014) and therefore Oversight will reflect a loss to state revenue for the credits that may be issued in FY 2014, FY 2015 and FY 2016. The Children in Crisis program shares a four million dollar annual cap with the Special Needs Adoption tax credit. Oversight will reflect the amount of lost revenue to the State equal to the average amount issued over the last five years ($469,403) through this program.

ASSUMPTION (continued)

§ 135.562 Residential Dwelling-Individuals
According to the Tax Credit Analysis submitted by the Department of Revenue, the Residential Dwelling Accessibility tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Issued	$23,040	$20,086	$6,501
Amount Redeemed	$23,040	$20,086	$6,501

Oversight assumes this credit was to expire on August 28, 2013 (FY 2014). This part of the proposal extends this credit, and therefore Oversight will reflect a loss to state revenue for credits that may be issued in FY 2015 and FY 2016. This credit has an annual cap of $100,000. Oversight will reflect the lost revenue to the State as equal to the average amount issued over the last four years ($16,498).

§ 135.535 Rebuilding Communities
According to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Rebuilding Communities tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Issued	$1,419,758	$1,444,107	$1,883,336
Amount Redeemed	$1,553,894	$1,277,135	$1,388,190

Oversight assumes this part of the proposal eliminates the provision that the Residential Dwelling Accessibility tax credit be funded with unused Rebuilding Communities funding. This part of the proposal would not cause an additional impact on General Revenue, since the annual issuance of the Rebuilding Communities tax credit program has been well below the $10 million dollar cap.

§ 135.630 Pregnancy Resource Center
Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. The department has no means to arrive at a reasonable estimate of loss in premium tax revenue as a result of tax credits. 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

ASSUMPTION (continued)

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.

According to the Tax Credit Analysis submitted by the Department of Social Services regarding this program, the Pregnancy Resource Center tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Certificates Issued (#)	3,708	3,729	3,827
Amount Issued	$1,324,130	$1,795,230	$1,844,684
Amount Redeemed	$1,198,062	$1,103,384	$1,892,183

Oversight assumes the Pregnancy Resource Center tax credit previously sunset on August 28, 2012. This part of the proposal extends this tax credit beginning on the effective date of this act (FY 2014) and therefore Oversight will show a loss to state revenue for the credits that may be issued in FY 14, FY 15 and FY 16. This credit has an annual cap of $2 million dollars. Oversight will reflect a loss of revenue to the State equal to the average amount issued over the last five years ($1,523,454).

§ 135.647 Food Pantry
According to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Food Pantry tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Redeemed	$793,734	$1,081,076	$796,156

Oversight assumes this credit previously sunset on August 28, 2011. This part of the proposal extends this tax credit beginning on the effective date of this act (FY 2014) and therefore Oversight will show the loss to state revenue for the credits that may be issued in FY 14, FY 15 and FY 16. Oversight assumes the credit has an annual cap of $2 million dollars. Oversight will reflect the amount of loss of revenue to the State equal to the average amount issued over the above three years ($890,322).

§ 135.800 Tax Credit Accountability Act
Oversight assumes no impact from this part of the proposal.

Bill as a Whole
Officials at the **Budget and Planning** (**BAP**) assume no impact on BAP from this proposal. However, extending the sunset on these tax credits will reduce General and Total State Revenue in the future.

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ASSUMPTION (continued)

Officials at the **Department of Economic Development** assume there is no fiscal impact from this proposal.

Officials at the **Department of Social Services** assume no impact from this proposal. The duties performed by staff would continue as they did prior to the sunset of the programs.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume no fiscal impact to the department in FY2014, FY2015, or FY2016. This legislation may have an unknown increase to premium tax revenue beginning in FY2020 due to the possible sunset of tax credits. 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 throughout 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 the potential sunset of tax credits beginning in FY 2020.

Officials at the **Department of Revenue** assume that extending the sunsets on these tax credits creates an unknown, negative impact on Total State Revenue.

Oversight assumes these changes would prohibit the issuance of any further tax credits under these program after December 31, 2019. Oversight assumes any income to the state from these tax credits not issued and the taxes being collected is outside the fiscal note period.

FISCAL IMPACT - State Government	FY 2014	FY 2015	FY 2016
GENERAL REVENUE			
Revenue Reduction- extension of the sunsets on tax credits			
§ 135.090 - Surviving Spouse	$0	($20,468)	($20,468)
§ 135.327 - Children in Crisis *	($469,403)	($469,403)	($469,403)
§ 135.562 - Residential Dwelling *	$0	($16,498)	($16,498)
§ 135.630 - Preg Resource Center *	($1,523,454)	($1,523,454)	($1,523,454)
§ 135.647 - Food Pantry *	($890,322)	($890,322)	($890,322)
	($2,883,179)	($2,920,145)	($2,920,145)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**($2,883,179)**	**($2,920,145)**	**($2,920,145)**

*** These credits have an annual cap that could raise the above stated revenue reduction to no more than $8,100,000 per year.**

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 2014	FY 2015	FY 2016
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses that receive these tax credits could be impacted.

FISCAL DESCRIPTION

This bill changes the laws regarding tax credits. In its main provision, the bill:

(1) Extends, from August 28, 2013, to December 31, 2019, the provisions regarding the income tax credit for the surviving spouse of a public safety officer who has not remarried (§135.090, RSMo);

(2) Reauthorizes the Children in Crisis tax credit for any verified contribution to a qualified agency made on or after July 1, 2013, and changes the name of the tax credit to the Champion for Children tax credit. This provision will expire on December 31, 2019 (§ 135.327);

(3) Repeals the provision which requires up to $100,000 of any available remaining tax credits under the $10 million cap for the investment in or relocating a business to a distressed community to be used for tax credits for residential renovations for disability access (§135.535);

(4) Extends the provisions regarding the residential renovations for disability access tax credit from December 31, 2013, to December 31, 2019 (§ 135.562);

(5) Reauthorizes the provisions regarding the tax credit for a contribution to a pregnancy resource center made on or after July 1, 2013. This provision will expire on December 31, 2019 (§ 135.630);

(6) Reauthorizes the provisions regarding the income tax credit for a donation to a food pantry made on or after July 1, 2013. This provision will expire on December 31, 2019 (§ 135.647); and

(7) Changes the laws regarding the Tax Credit Accountability Act of 2004 by adding the developmental disability care provider tax credit under Section 135.1180 to the definition of "domestic and social tax credits" (§ 135.800).

The bill contains an emergency clause.

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

Budget and Planning
Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue
Department of Social Services

Ross Strope
Acting Director
January 30, 2013

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