COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6306-02
Bill No.: HB 2122
Subject: Tax Credits; Higher Education
Type: Original
Date: April 1, 2014

Bill Summary: This proposal authorizes a tax credit for donations to Missouri public colleges and universities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	$0 to ($10,000,000)	$0 to ($10,000,000)	$0 to ($10,000,000)
Total Estimated Net Effect on General Revenue Fund	**$0 to ($10,000,000)**	**$0 to ($10,000,000)**	**$0 to ($10,000,000)**

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 2015	FY 2016	FY 2017
University Funds	$0 to $20,000,000	$0 to $20,000,000	$0 to $20,000,000
Total Estimated Net Effect on Other State Funds	**$0 to $20,000,000**	**$0 to $20,000,000**	**$0 to $20,000,000**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning** (**BAP**) assume this proposal would not fiscally impact BAP. This proposal establishes a tax credit for donations made to qualified educational institutions and earmarked for scholarships. This tax credit is capped at $10 million annually. Total and General State Revenues would be reduced by up to the annual cap.

Officials at the **Department of Revenue** (**DOR**) assume this proposal would require computer programming changes to various tax systems estimated at $22,932 for 840 FTE hours. The Personal Tax Division would need one Revenue Processing Technician I for every 6,000 tax credits redeemed and one Revenue Processing Technician I for every 4,000 tax credit transfers and one Revenue Processing Technician 1 for every 520 compliance mailings and correspondence. The Corporate Tax Division would need one Revenue Processing Technician I per 6,000 tax credits redeemed with CARES phones and license. The Collections and Tax Assistance Division would anticipate additional customer contacts regarding the tax credit, notice of adjustment, and the first come, first serve requirement. Collections and Tax Assistance requires one Tax Collection Technician for every additional 15,000 contacts annually on the non-delinquent tax line with CARES equipment, one Revenue Processing Technician I per 4,800 contacts annually to the field offices with CARES equipment, and one Tax Collection Technician for every additional 15,000 contacts annually on the delinquent tax line with CARES equipment.

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

Oversight assumes the Department of Revenue can absorb the duties of this proposal with existing resources. Should the number of University applications reach the number where the Department can justify another FTE, then the Department can request that FTE through the appropriation process.

Officials at the **Department of Higher Education** (**DHE**) assume additional staff resources will be necessary to develop and operate this tax credit program at the DHE. Based on current workload and the assumption that the required tasks for a successful program are substantially different than any current programs administered by the DHE, the assignment of this to existing staff is impractical. As such, this would require the addition of staff with the appropriate

ASSUMPTION (continued)

qualifications or experience to administer this new program It is assumed that an additional .5 FTE will be sufficient to cover the tasks assigned to the department.

Oversight assumes the Department of Higher Education can absorb the duties of this proposal with existing resources. Should the number of University applications reach the number where the Department can justify another FTE, then the Department can request that FTE through the appropriation process.

Officials at the **University of Central Missouri** (**UCM**) assume this could potentially benefit students with additional scholarship funding, and also indirectly increase tuition revenue to the University, if it had the desired effect of encouraging new donors and additional donations from current donors. The net fiscal impact of such a program would depend on the cost to the University of administering it, whether the credits could be handled by the foundation that now accepts scholarship donations for UCM students, or whether the University itself would need to staff and implement the tax credit application and sales program.

Officials at the **Missouri State University** and the **University of Missouri** each assume an unknown positive impact on their University.

Officials at the **Joint Committee on Administrative Rules**, the **Linn State Technical College** and the **Northwest Missouri State University** each assume there is no fiscal impact to their respective organizations from this proposal.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state an unknown reduction of premium tax revenues as a result of the creation of the tax credit for donations to Missouri public colleges and universities 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 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 tax credits each year.

DIFP will require minimal contract computer programming to add this new tax credit 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.

ASSUMPTION (continued)

Officials from the **Office of the 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 $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.

Oversight will reflect the loss of revenue to the state as $0 (no one participates in the program) to the annual cap.

Oversight assumes this proposal would allow Universities to receive donations for student scholarship programs. After receipt of the donation the University can apply to receive a tax credit equal to the amount of the donation. The University can then either keep the tax credit or sell it to raise additional revenue for their student scholarship program. Oversight will reflect in the fiscal note the increased revenue to University funds from the donations and the tax credits as $0 (no one participates in the program) to the annual cap.

FISCAL IMPACT - State Government	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
Revenue Reduction - tax credit for universities that receive donations	$0 to ($10,000,000)	$0 to ($10,000,000)	$0 to ($10,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0 to ($10,000,000)**	**$0 to ($10,000,000)**	**$0 to ($10,000,000)**
UNIVERSITY FUNDS			
Additional Revenue - University Funds from donations received from taxpayers	$0 to $10,000,000	$0 to $10,000,000	$0 to $10,000,000
Additional Revenue - University Funds - receipt of tax credit or sale of the tax credit	$0 to $10,000,000	$0 to $10,000,000	$0 to $10,000,000
ESTIMATED NET EFFECT ON UNIVERSITY FUNDS	**$0 to $20,000,000**	**$0 to $20,000,000**	**$0 to $20,000,000**

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 2015 (10 Mo.)	FY 2016	FY 2017
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

A small businesses that makes a donation may be impacted.

FISCAL DESCRIPTION

Beginning January 1, 2015, this bill authorizes a tax credit for a qualified educational institution of 100% of the amount of any cash donation received from an individual or a business earmarked for student scholarships. A qualified educational institution is any public community college, public college, or public university located in Missouri. The educational institution must submit an application to the Department of Higher Education who must issue a tax credit certificate in the appropriate amount based on a first-come, first-served basis. The department will sell the credits to qualified taxpayers and the proceeds will be remitted to the institution to whom the credit previously belonged to be earmarked for the same scholarship program as the associated donation. The credit is not refundable, but can be carried forward for up to three years. The total amount of tax credits allowed in any calendar year cannot exceed $10 million.

The provisions of the bill will expire six years after 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.

JH:LR:OD

SOURCES OF INFORMATION

Department of Higher Education
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue
Joint Committee on Administrative Rules
Linn State Technical College
Missouri State University
Northwest Missouri State University
Office of Administration
   Division of Budget and Planning
Office of the Secretary of State
University of Central Missouri
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