

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0460-01
Bill No.: HB 55
Subject: Tax Credits; Charities; Housing
Type: Original
Date: January 6, 2017

Bill Summary: This proposal authorizes a tax credit for donations to a homeless shelter.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(\$130,712)	(\$0 Up to \$2,500,000)	(\$0 Up to \$2,500,000)
Total Estimated Net Effect on General Revenue	(\$130,712)	(\$0 Up to \$2,500,000)	(\$0 Up to \$2,500,000)

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 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight notes this proposal would allow a taxpayer a tax credit of 50 percent of the donation to a homeless shelter. No taxpayer could claim more than \$50,000 per tax year. The cumulative amount of tax credits that can be claimed is \$2,500,000 annually.

Officials at the **Department of Revenue (DOR)** assume they will require form and programming changes to implement the provisions of this legislation. The integrated tax system will require \$130,712 additional programming to implement this proposal. DOR's Personal Tax Division will require one (1) Revenue Processing Technician I (\$27,185) for every 6,000 credits claimed.

Oversight notes a significantly high percentage of income tax returns are prepared online, electronically, or by paid preparers, and assumes there would not be a significant number of additional work resulting from the changes in this proposal. Oversight assumes existing DOR staffing would be adequate to implement this proposal. If unanticipated additional cost are incurred or if multiple proposals are implemented that increase DOR costs or the workload for DOR employees, resources could be requested through the budget process.

Officials at the **Office of Administration's Division of Budget and Planning** assume that since this proposal creates a tax credit with a \$2.5 million cap, it could reduce General Revenue by up to \$2.5 million annually.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume a reduction of premium tax revenues as a result of the creation of tax credit for donations to a homeless shelter 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.

The department will require minimal contract computer programming to add these new tax credits 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)

Oversight assumes this proposal begins with tax years starting January 1, 2018, and therefore, the first time this would be claimed on a taxpayer's tax return would be FY 2019. Oversight will reflect the impact as \$0 (no credits claimed) to the \$2.5 million annual cap.

Oversight notes this tax credit would be similar to the other social tax credits listed here:

Social Tax Credit	Cap	5 Year Issue Average
Food Pantry	\$1,250,000	\$796,712
Maternity Home	\$2,500,000	\$1,977,103
Pregnancy Resource Centers	\$2,500,000	\$2,058,242
Shelters for Victims of Domestic Violence	\$2,000,000	\$1,348,043

Officials at the **Department of Social Services** and the **State Tax Commission** each assume there is no fiscal impact from this proposal to their respective organization.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE			
<u>Revenue Reduction</u> - tax credit for donations to homeless shelters §135.620	\$0	(\$0 Up to \$2,500,000)	(\$0 Up to \$2,500,000)
<u>Cost</u> - DOR computer upgrades	<u>(\$130,712)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$130,712)</u>	<u>(\$0 Up to \$2,500,000)</u>	<u>(\$0 Up to \$2,500,000)</u>

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 2018
(10 Mo.)

FY 2019

FY 2020

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Small businesses that receive this tax credit could be positively impacted.

FISCAL DESCRIPTION

Beginning January 1, 2018, this bill authorizes a tax credit equal to 50% of a taxpayer's contribution to a homeless shelter. The amount of the credit claimed cannot exceed \$50,000 per year. The credit is non-refundable, cannot be assigned, transferred, or sold, but can be carried forward four years. With the exception of any credit carried over, to claim a tax credit, the total value of contributions to qualified organizations during the taxable year must be over \$100. The cumulative amount of tax credits cannot exceed \$2.5 million per tax year. The credits will be issued in the order contributions are received.

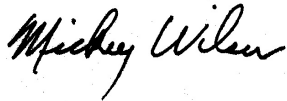
The Director of the Department of Social Services will determine which organizations are qualified and establish a procedure for taxpayers to determine which organizations are qualified and how the credits are apportioned. Each homeless shelter must provide relevant information to the Director of the Department of Revenue including who made a contribution and the amount of such contribution.

The provisions of this bill will expire December 31 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.

SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue
Department of Social Services
Office of Administration
Division of Budget and Planning
State Tax Commission



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January 6, 2017

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