

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2767-01
Bill No.: HB 893
Subject: Revenue Department; Social Services Department; Taxation and Revenue.
Type: Original
Date: February 2, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$87,579)	(\$52,914 to \$2,052,914)	(\$54,240 to \$2,054,240)
Total Estimated Net Effect on General Revenue Fund *	(\$87,579)	(\$52,914 to \$2,052,914)	(\$54,240 to \$2,054,240)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Insurance Dedicated	(\$2,164)	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds *	(\$2,164)	\$0	\$0

*** The fiscal impact could be divided between the General Revenue Fund and the County Foreign Insurance Fund (which ultimately goes to local school districts) if some of the tax credits are utilized against insurance premium taxes.**

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government*	\$0	\$0	\$0

* The fiscal impact could be divided between the General Revenue Fund and the County Foreign Insurance Fund (which ultimately goes to local school districts) if some of the tax credits are utilized against insurance premium taxes.

FISCAL ANALYSIS

ASSUMPTION

In response to a similar proposal from this year, officials from the **Office of Administration - Budget and Planning** stated the proposal would have a negative impact on Total State Revenue and General Revenue of up to \$2 million annually.

Officials from the **Department of Insurance (INS)** state this proposal allows a tax credit for insurance companies who contribute to pregnancy resource centers. INS state they have over 1,600 taxable insurance companies and it is unknown how many will choose to participate in the program.

INS assumes that up to \$2 million per year could be lost in premium tax revenue as a result of the tax credits. Premium tax is split 50/50 between General Revenue and the County Foreign Insurance Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. INS assumes the need for \$2,164 for contract computer programming to add this new tax credit to the premium tax database.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** state the Director of DOS will determine annually which facilities in this state qualify as a pregnancy resource center. Each pregnancy resource center is to provide DOS with the identity of each taxpayer making a contribution and the amount of the contribution. Social Services will provide that information to DOR. The credit shall apply to all tax years beginning on or after January 1, 2005.

DOR states the number of taxpayers who will contribute and become eligible for this credit is unknown at this time. DOR's Division of Taxation, Personal Tax Bureau will need one Tax Processing Technician I for every 4,000 new credits claimed per year. The Business Tax Bureau will need one Tax Processing Technician I for every 3,680 credit claims received on corporate tax.

DOR assumes this legislation will require modifications to individual and corporate income tax systems. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of contract labor at a cost of \$46,170. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs. Modifications to the income tax returns and schedules will be completed with existing resources.

DOR assumes that the information provided by the DOS will be the credit certification, which includes the amount of credit the taxpayer is eligible for. If this is not provided, additional FTE may be needed by DOR for verification purposes.

Oversight assumes DOR will incur the programming and storage charges as described above, however, Oversight also assumes DOR will be able to administer this new tax credit without additional FTE.

Officials of the **Department of Social Services - Division of Research and Evaluation (DOS)** assume the DOS director will have to

- determine which facilities in Missouri may be classified as a pregnancy resource center;
- establish a procedure by which a taxpayer can determine if a facility has been classified as a pregnancy resource center;
- allocate tax credits equally among the pregnancy resource centers;
- reapportion the unused tax credits to pregnancy resource centers that have used all their tax credits; and
- provide tax payer contribution information to the Department of Revenue.

ASSUMPTION (continued)

DOS assumes their Division of Budget and Finance would carry out these responsibilities.

The number of staff required is a function of the number of participating facilities. From phone calls with MO Catholic Conference and the Missouri Right to Life staff, DBF believes there are 50 to 60 such organizations that might meet the criteria of subsection 1. Assuming there are 60 eligible organizations, DBF could perform the requirements of the legislation with one new Accounting Analyst I (at \$35,244 annually). Existing staff would provide supervision of the Accounting Analyst I and existing space will be used. DBF assumes the new FTE will work for six months in FY 2004.

The new FTE would be responsible for reviewing documents provided by the facilities to determine if they meet the criteria specified. The analyst would establish procedures to equally allocate credits to eligible unplanned pregnancy resource centers in an equitable manner. To reapportion unused credits, the analyst would collect interim tax credit utilization information during the fiscal year and make the calculations necessary to reallocate unused credits. The analyst would also collect and compile annual tax credit information and prepare a report for the director to send to the Department of Revenue.

DOS assumes the cost for the new FTE would total \$32,466 in FY 2005, and roughly \$54,000 per year thereafter.

Oversight has ranged the fiscal impact of the new tax credit from \$0 (no taxpayer taking utilizing the program) to a \$2 million decrease in tax collections. This tax credit can be utilized against several tax types, so funds other than General Revenue (i.e. County Foreign Insurance) could be impacted by the program.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE			
<u>Cost - Dept. of Revenue</u>			
Reprogramming costs	(\$55,177)	\$0	\$0
<u>Cost - Dept. of Social Services</u>			
Personal Service (1 FTE)	(\$18,063)	(\$37,028)	(\$37,954)
Fringe Benefits	(\$7,478)	(\$15,330)	(\$15,713)
Expense and Equipment	<u>(\$6,861)</u>	<u>(\$556)</u>	<u>(\$573)</u>
Total costs to DOS	(\$32,402)	(\$52,914)	(\$54,240)
<u>Loss - Tax credits for contributions made to Pregnancy Resource Centers</u>	<u>\$0</u>	<u>\$0 to (\$2,000,000)</u>	<u>\$0 to (\$2,000,000)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND*	<u>(\$89,743)</u>	<u>(\$52,914 to \$2,052,914)</u>	<u>(\$54,240 to \$2,054,240)</u>

INSURANCE DEDICATED FUND

<u>Cost - Dept. of Insurance</u>			
Reprogramming costs	(\$2,164)	\$0	\$0
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>(\$2,164)</u>	<u>\$0</u>	<u>\$0</u>

Note: This 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.

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<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.

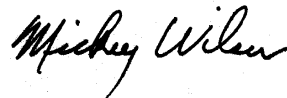
DESCRIPTION

This proposal allows a tax credit for contributions to support pregnancy resource centers. The credit is for 50% of the contribution, cannot exceed \$50,000 per year, is not refundable but can be carried forward. No more than a total of \$2 million may be claimed in credits in any one year. A pregnancy resource center is a non-residential facility that provides assistance designed to support women and encourage birth over abortion. The center must be tax exempt, must provide direct person-to-person counseling at no cost, and cannot provide abortion referrals.

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 Revenue
Office of Administration - Budget and Planning
Department of Social Services
Department of Insurance



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Director
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