

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3427-01
Bill No.: HB 1032
Subject: Children and Minors; Family Services Division; Taxation and Revenue.
Type: Original
Date: March 5, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$1,500,000 to Unknown)	(Unknown - Greater than \$100,000)	(Unknown - Greater than \$100,000)
Total Estimated Net Effect on General Revenue Fund*	(\$1,500,000 to Unknown)	(Unknown - Greater than \$100,000)	(Unknown - Greater than \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>Other</u> State Funds*	\$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.**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 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

Officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Department of Social Service's authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 8 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 12 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal are estimated to be \$492, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal, however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

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

ASSUMPTION (continued)

process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Revenue (DOR)** state this legislation removes the \$2 million cap that currently applies to the Adoption Tax Credit. The Division of Taxation will see an increase in the number of credits, but will not see an increase in workload due to the time currently spent denying credits over the \$2 million cap. Therefore, there is no impact to DOR.

As of January 23, 2004, of this fiscal year, DOR has approved credits for 786 returns, totaling \$2,000,000. It has also denied 566 returns due to the cap being reached, totaling \$1,496,543. Because the amount denied is only for half of the fiscal year, DOR believes the total loss to general revenue will be more than \$1.5 million. However, DOR cannot estimate the total loss to general revenue and assumes it will be \$1.5 million to UNKNOWN.

Officials from the **Department of Social Services** assume there will be no direct fiscal impact on their agency.

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposal removes the cap on the existing special needs adoption tax credit, which will increase the number of individuals claiming the credit. This could significantly decrease general revenue. The proposal should not result in additional costs or savings to BAP.

Oversight assumes the anticipated amount of credits to be submitted over the annual cap this year could be a result of the previous years' buildup of denied claims plus additional claims from this year. Therefore, if the cap on the tax credits was taken out of statutes, the first fiscal year (FY 2005) could have a large impact of previous year' denied credits being allowed, and then future years not so large. Therefore, with this possibility and with the lack of information available regarding the number of special needs adoptions in the state and the non-recurring expenses related to them, **Oversight** will utilize DOR's estimate of (\$1.5 million to Unknown) for FY 2005, but for future years, assume (Unknown - greater than \$100,000) in losses to GR.

These tax credits can be sold to and utilized by insurance companies against their premium tax liability. Premium tax revenue is split evenly between General Revenue Fund and the County Foreign Insurance Fund which is later distributed to school districts. Therefore, **Oversight** has footnoted the possibility that some of the additional tax credits resulting from this proposal could be utilized by insurance companies and therefore, reduce revenue to the local school districts.

This proposal would reduce Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Loss - General Revenue</u>	(\$1,500,000 to	(Unknown -	(Unknown -
<u>Increase in adoption tax credits</u>	<u>Unknown)</u>	<u>Greater than</u> <u>\$100,000)</u>	<u>Greater than</u> <u>\$100,000)</u>
ESTIMATED NET EFFECT TO THE	(\$1,500,000 to	(Unknown -	(Unknown -
GENERAL REVENUE FUND*	<u>Unknown)</u>	<u>Greater than</u> <u>\$100,000)</u>	<u>Greater than</u> <u>\$100,000)</u>

***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.**

<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

Currently, there is a \$2 million aggregate cap on the special needs child adoption tax credit. This proposal removes that cap and requires the Children's Division within the Department of Social Services to prescribe the rules and regulations for the tax credit program. Currently, the Department of Revenue is responsible for prescribing the rules and regulations.

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 Administration - Budget and Planning
Department of Revenue
Department of Social Services
Office of the Secretary of State

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 5, 2004