

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3857-11
Bill No.: SCS for HS for HCS for HB 1290
Subject: Taxation and Revenue - Income; Charities
Type: Original
Date: April 8, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue Fund	Unknown to \$39,745	Unknown to \$100,000	Unknown to \$100,000
Total Estimated Net Effect on General Revenue Fund	Unknown to \$39,745	Unknown to \$100,000	Unknown to \$100,000

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Various Chronic Illness Related Organization Funds*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

*Assumes an unknown amount of contributions distributed to the following chronic illness related organizations annually: the American Cancer Society Heartland Division Fund, the ALS Lou Gehrig's Disease Fund, the American Lung Association of Missouri Fund, the Muscular Dystrophy Association Fund, the American Heart Association Fund, the March of Dimes Fund, the Arthritis Foundation Fund, the American Diabetes Association Gateway Area Fund, or the National Multiple Sclerosis Society Fund.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 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

FISCAL ANALYSIS

ASSUMPTION

In response to a similar proposal, officials of the **Office of Administration, Division of Budget and Planning (BAP)** assumed this proposal had no impact on BAP. BAP assumed the following: In each tax year beginning January 1, 2004, a taxpayer entitled to a tax refund may designate a portion of that refund go to several newly created chronic illness related funds and two additional funds that may be created in the future for other qualified organizations. This proposal would have no impact on general revenue but could raise total state revenue by a minimum of \$9,000, the amount each organization would submit to the Director of Revenue as an application fee. BAP has no basis for estimating the amount of contributions to this fund.

In a response to similar legislation, officials of the **State Treasurer (STO)** assumed this legislation:

Creates the "American Cancer Society, Heartland Division, Inc., Fund"
 Creates the "ALS Lou Gehrig's Disease Fund"
 Creates the "American Lung Association of Missouri Fund"
 Creates the "Muscular Dystrophy Association Fund"
 Creates the "Arthritis Foundation Fund"
 Creates the "National Multiple Sclerosis Society Fund"
 Creates the "American Diabetes Association Gateway Area Fund"
 Creates the "American Heart Association Fund, and the March of Dimes Fund"
 Creates the "March of Dimes Fund"

ASSUMPTION (continued)

STO assumes the following applies to all of the funds listed above:

- in the treasury
- STO is custodian of the funds
- STO shall approve disbursements from the funds in accordance with this section and sections 30.170 and 30.180, RSMo
- exempt from the biennial transfer
- STO shall invest in same manner as all other funds
- retains interest earnings

STO requests one FTE at the Accountant II level plus the corresponding expense and equipment to reconcile the new fund, deposit monies to the fund and distribute the money annually. The Treasurer does not currently handle deposit or distribution of fund proceeds (usually, this is done by the Department of Revenue).

Oversight assumes STO's current staff can handle the increase in workload created by this proposal.

In response to a similar proposal, officials of the **Department of Revenue (DOR)** stated this legislation establishes an individual and corporate tax check off for the American Cancer Society Heartland Division Inc, the ALS Lou Gehrig's Disease Fund, the American Lung Association Missouri Fund, the Arthritis Foundation Fund, the Muscular Dystrophy Association Fund, the American Heart Association Fund, the March of Dimes Fund, the American Diabetes Association Gateway Area Fund and the National Multiple Sclerosis Society Fund, as long as the organization is a 501(c)(3) and it pays a \$1,000 application fee.

DOR will provide a list of all the authorized contribution designations within the income tax instructions and two check boxes are to be unambiguously printed on the first page of the income return. This check boxes would be shared by the funds listed above and the General Revenue Fund. DOR will notify the Office of Administration monthly with the information for the transfer by the state to each fund.

Taxation will have to modify the MINITS and COINS systems to allow for the check offs to be added to the tax returns and for the accountability of the contributions. DOR assumes it will take 1,384 hours of programming on the MINITS system and 692 hours of programming on the COINS system, at a cost of \$69,255.

DOR assumes the report provided to DOR by the organizations reporting their expenditures will not require DOR to maintain a database or key anything electronically. If DOR is wrong in this

ASSUMPTION (continued)

assumption, then additional programming and key-entry costs will be needed. DOR defers any revenue impact to BAP.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (6 Mo.)	FY 2006	FY 2007
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GENERAL REVENUE FUND

<u>Income</u> - Dept. of Revenue			
\$1,000 application fee	\$9,000	\$0	\$0
1% collection/handling fee	Unknown to \$100,000	Unknown to \$100,000	Unknown to \$100,000

<u>Cost</u> - Dept. of Revenue			
Programming	<u>(\$69,255)</u>	<u>\$0</u>	<u>\$0</u>

TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>Unknown to \$39,745</u>	<u>Unknown to \$100,000</u>	<u>Unknown to \$100,000</u>
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**AMERICAN CANCER SOCIETY
HEARTLAND DIVISION FUND**

<u>Income</u> - contributions	Unknown	Unknown	Unknown
<u>Transfers Out</u> - to Cancer Society	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

ESTIMATED NET EFFECT ON AMERICAN CANCER SOCIETY HEARTLAND DIVISION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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**ALS LOU GEHRIG'S DISEASE
FUND**

<u>Income</u> - contributions	Unknown	Unknown	Unknown
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<u>Transfers Out</u> - to ALS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON ALS LOU GEHRIG'S DISEASE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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**AMERICAN LUNG ASSOCIATION
OF MISSOURI FUND**

<u>Income</u> - contributions	Unknown	Unknown	Unknown
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<u>Transfers Out</u> - to American Lung Assn.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON AMERICAN LUNG ASSOCIATION OF MISSOURI FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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**MUSCULAR DYSTROPHY
ASSOCIATION FUND**

<u>Income</u> - contributions	Unknown	Unknown	Unknown
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<u>Transfers Out</u> - to MDA	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON MUSCULAR DYSTROPHY ASSOCIATION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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ARTHRITIS FOUNDATION FUND

<u>Income</u> - contributions	Unknown	Unknown	Unknown
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<u>Transfers Out</u> - to Arthritis Foundation	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON ARTHRITIS FOUNDATION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - State Government</u>	FY 2005 (6 Mo.)	FY 2006	FY 2007
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**AMERICAN DIABETES
 ASSOCIATION GATEWAY AREA
 FUND**

<u>Income</u> - contributions	Unknown	Unknown	Unknown
<u>Transfers Out</u> - to Diabetes Assn.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

ESTIMATED NET EFFECT ON AMERICAN DIABETES ASSOCIATION GATEWAY AREA FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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**NATIONAL MULTIPLE SCLEROSIS
 SOCIETY FUND**

<u>Income</u> - contributions	Unknown	Unknown	Unknown
<u>Transfers Out</u> - to MS Society	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

ESTIMATED NET EFFECT ON NATIONAL MULTIPLE SCLEROSIS SOCIETY FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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**AMERICAN HEART ASSOCIATION
 FUND**

<u>Income</u> - contributions	Unknown	Unknown	Unknown
<u>Transfers Out</u> - to Heart Association	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

ESTIMATED NET EFFECT ON AMERICAN HEART ASSOCIATION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - State Government</u>	FY 2005 (6 Mo.)	FY 2006	FY 2007
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MARCH OF DIMES FUND

<u>Income</u> - contributions	Unknown	Unknown	Unknown
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<u>Transfers Out</u> - to Heart Association	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON MARCH OF DIMES FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2005 (6 Mo.)	FY 2006	FY 2007
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would authorize an income tax designation to be printed on the Missouri income tax form for the purpose of donating a portion of a taxpayer's or corporation's refund to certain charities.

Donations could be made to the American Cancer Society Heartland Division, Inc. Fund, the ALS Lou Gehrig's Disease Fund, the American Lung Association of Missouri Fund, the Arthritis Foundation Fund, the Muscular Dystrophy Association Fund, the American Heart Association Fund, the March of Dimes Fund, the American Diabetes Association Gateway Area Fund, or the Gateway Area Chapter of the National Multiple Sclerosis Society Fund. The minimum contribution for each tax return would be one dollar (\$1) and the maximum contribution for each return would be two hundred dollars (\$200).

The proposal also would include, among the eligible charities, an organization that has the cure for sickle cell anemia as its primary purpose if such an organization is formed and meets the requirements of the proposal.

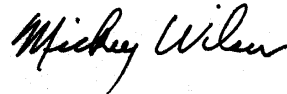
GVB:LR:OD (12/02)

DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This proposal would affect Total State Revenue.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration
Division of Budget and Planning
State Treasurer

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

Mickey Wilson, CPA
Director
April 8, 2004