COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0102-01
Bill No.: HB 392
Subject: Revenue Department; Taxation and Revenue.
Type: Original
Date: March 2, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	($43,666)	($45,391 to $2,045,391)	($46,529 to $2,046,529)
Total Estimated Net Effect on General Revenue Fund*	**($43,666)**	**($45,391 to $2,045,391)**	**($46,529 to $2,046,529)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Insurance Dedicated	($2,164)	$0	$0
Total Estimated Net Effect on Other 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 2006	FY 2007	FY 2008
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
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 Administration - Budget and Planning (BAP)** state the proposal would have a negative impact on Total State Revenue and General Revenue of up to $2 million annually.

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 Services' authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 6 new pages of regulations in the Code of State Regulations at a cost of $27.00 per page, and 9 new pages in the Missouri Register at a cost of $23.00 per page. Costs due to this proposal are estimated to be $369, 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in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn.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.

ASSUMPTION (continued)

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

Officials from the **Department of Insurance (INS)** state this proposal allows a tax credit for donations to pregnancy resource centers. INS it is unknown how many will choose to participate in the program and take advantage of the tax credits.

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 revenue 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.

Officials of the **Department of Social Services – Division of Budget and Finance (DOS)** assume, upon the direction of the DOS director, they 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.

There are approximately 60 pregnancy resource centers that might meet the criteria (this information was verified by DOS via a telephone call to the Missouri Catholic Conference). Assuming there are 60 eligible organizations, DOS could perform the requirements of the legislation with one new Accounting Analyst I (at $29,784 annually). Existing staff would provide supervision of the Accounting Analyst I and existing space will be used. DOS assumes the new FTE will work for 10 months in FY 2006.

DOS assumes the cost for the new FTE would total $43,666 in FY 2006, and roughly $46,000 per year thereafter.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** state the number of taxpayers who will contribute and become eligible for this credit is unknown at this time. DOR's Division of Taxation will need one Tax Processing Technician I for every 4,000 new credits claimed per year.

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. COINS will need to be modified. The Division estimates these modifications will require 692 hours of programming. 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.

DOR assumes they will absorb the costs within existing resources. If that is not possible, DOR will request additional resources through the budgetary process.

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.

FISCAL IMPACT - State Government	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE			
Cost - Dept. of Social Services			
Personal Service (1 FTE)	($25,430)	($31,292)	($32,074)
Fringe Benefits	($10,849)	($13,349)	($13,683)
Expense and Equipment	($7,387)	($750)	($772)
Total costs to DOS	($43,666)	($45,391)	($46,529)
Loss - Tax credits for contributions made to Pregnancy Resource Centers	$0	$0 to ($2,000,000)	$0 to ($2,000,000)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND *	**($43,666)**	**($45,391 to $2,045,391)**	**($46,529 to $2,046,529)**
INSURANCE DEDICATED FUND			
Cost - Dept. of Insurance			
Reprogramming costs	($2,164)	$0	$0
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	**($2,164)**	**$0**	**$0**

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.

FISCAL IMPACT - Local Government	FY 2006 (10 Mo.)	FY 2007	FY 2008
	$0	**$0**	**$0**

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, and 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
Office of the Secretary of State

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