

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3955-02
Bill No.: HB 1753
Subject: Environmental Protection; Motor Fuel; Natural Resources Department; Taxation and Revenue
Type: Original
Date: March 24, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	\$0	\$0 to (\$3,000,000)	\$0 to (\$2,000,000)
Total Estimated Net Effect on General Revenue Fund*	\$0	\$0 to (\$3,000,000)	\$0 to (\$2,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
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 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
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)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$1,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of Administration - Budget and Planning** state the legislation authorizes tax credits for alternative fuel facilities. This legislation will have a negative impact on general revenue up to \$3 million in FY 2008, \$2 million in FY 2009 and \$1 million in FY 2010.

ASSUMPTION (continued)

Officials from the **Department of Insurance (INS)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. The department can not estimate how much would be lost in premium tax revenue as a result of tax credits. 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.

INS states they will require \$2,164 for contract computer programming to add this new tax credit to the premium tax database.

Officials from the **Department of Revenue (DOR)** state due to the carry forward provisions, Personal Tax would require 1 Tax Processing Technician I for every 6,000 credits claimed. Personal Tax would also require 1 Tax Processing Technician I for every 2,000 credits claimed due to the apportionment among all applicants. Due to the limited number of expected applicants, these FTE are not being requested at this time.

Officials from the **Department of Natural Resources (DNR)** state this proposal would require their agency to receive and review the applications and certify to the Department of Revenue whether the applicants qualify. The DNR and DOR are authorized to promulgate rules to implement these provisions.

DNR assumes it would receive and review applications for the tax credit and certify eligible applicants that qualify to the Department of Revenue. Currently, DNR's Energy Center performs a similar review and certification process for the Wood Energy Tax Credit Program pursuant to Sections 135.300 - 135.311, RSMo. DNR would not anticipate a need for additional resources as a result from this proposal.

Oversight has ranged the fiscal impact of the new tax credit from \$0 (no taxpayer taking utilizing the program) to the annual limits of \$3 million for 2007 and \$2 million for 2008. 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. The tax credit may be applied to all tax years beginning on or after January 1, 2007. Therefore, taxpayers may make contributions in calendar year 2007 and utilize the credit on their returns filed after January 1, 2008. Therefore, up to \$3 million in tax credits could be utilized in FY 2008 and up to \$2 million in tax credits could be utilized in FY 2009. Up to \$1 million in tax credits could be utilized in FY

ASSUMPTION (continued)

2010, which is beyond the scope of this fiscal note.

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

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
<u>Loss - Tax credit for alternative fuel facilities</u>	\$0	\$0 to <u>(\$3,000,000)</u>	\$0 to <u>(\$2,000,000)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0 to (\$3,000,000)</u>	<u>\$0 to (\$2,000,000)</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.

INSURANCE DEDICATED FUND

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

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that qualify could benefit from the tax credits for alternative fuel facilities as a result of this proposal.

DESCRIPTION

This proposal authorizes an income tax credit for any eligible applicant who installs and operates an alternative fuel vehicle refueling facility. For tax years beginning January 1, 2007, through December 31, 2009, an eligible applicant may apply to the Department of Natural Resources for a tax credit equal to the lesser of \$20,000 or 20% of the total cost of the purchase and installation of alternative fuel storage and dispensing equipment.

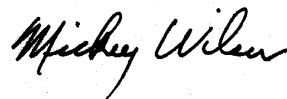
The tax credit is to be claimed in the tax year in which it was issued, and the balance may be carried forward two prior tax years. The tax credit may be assigned, transferred, sold, or otherwise conveyed.

The amount of tax credits authorized in taxable year 2007 will be \$3 million, \$2 million in 2008, and \$1 million in 2009. If the tax credit amount authorized for a taxable year is not sufficient to cover the total qualified applications, the credits will be prorated among the qualified applicants.

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 Natural Resources
Department of Revenue
Department of Insurance
Office of Administration - Budget and Planning
Office of the Secretary of State

A handwritten signature in black ink, appearing to read "Mickey Wilson". The signature is written in a cursive, flowing style.

L.R. No. 3955-02
Bill No. HB 1753
Page 6 of 6
March 24, 2006

Mickey Wilson, CPA
Director
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