

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4494-02
Bill No.: HCS for HB 1485
Subject: Revenue Department; Taxation and Revenue.
Type: Original
Date: February 17, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(\$46,394)	(\$46,357 to \$2,046,357)	(\$47,523 to \$2,047,523)
Total Estimated Net Effect on General Revenue Fund*	(\$46,394)	(\$46,357 to \$2,046,357)	(\$47,523 to \$2,047,523)

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*	\$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 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

In response to a previous version of this proposal, officials from the **Department of Revenue (DOR)** stated this legislation authorized a tax credit equal to 50% of a taxpayer's contribution to a pregnancy resource center, not to exceed \$50,000 per taxable year. The tax credit is non-refundable, but can be carried over to the next 4 years. In order to receive the credit, the taxpayer's contributions must have a value of \$100 or more. The total tax credits allowed for all taxpayer's cannot exceed \$2,000,000 per fiscal year. Tax credits shall be issued in the order contributions are received.

DOR assumed more than 6,000 taxpayer's will contribute to the qualifying pregnancy resource centers, and therefore, requests 1 Tax Processing Technician I (at \$23,000 annually) for processing the new tax credits with their carry forward provisions. DOR assumed a total cost from the additional FTE of roughly \$38,000 per year.

ASSUMPTION (continued)

Oversight assumes DOR will be able to administer this new tax credit without additional FTE. Oversight assumes that if the volume of tax credits for contributions to pregnancy resource centers is sufficiently high, DOR will request additional FTE through the budgetary process.

Officials from the **Office of Administration - Budget and Planning (BAP)** assume the proposal would have a negative impact on Total State Revenue and General Revenue between \$0 and \$2 million annually.

In response to a previous version of this proposal, officials from the **Department of Social Services (DOS)** stated a procedure will be established to determine those organizations in Missouri that meet the criteria of a Pregnancy Resource Center and a mechanism for which taxpayers can access this information will be implemented. These procedures will also ensure that taxpayers can claim all the tax credits possible up to the cumulative amount of tax credit available for the fiscal year. DOS' Division of Budget and Finance (DBF) will allocate the available tax credits equally to all organizations designated as a Pregnancy Resource Center on an annual basis. If during the fiscal year, it is determined that a Pregnancy Resource Center fails to use all or some percentage of its allocation, DBF will then reapportion any unused tax credits to those Pregnancy Resource Centers that have used the entire amount of their tax credit allocation.

DOS stated that there are approximately 60 pregnancy resource centers that might meet the criteria outlined in the proposal. DOS assumed the need for one FTE Accounting Analyst I (at \$29,784 annually) to carry out the responsibilities outlined in the bill. DOS estimated a cost of the FTE for 10 months in FY 2007 and assumes that new equipment and furniture would be required but that existing space would be utilized. In summary, DOS assumed a cost to implement the proposal of roughly \$46,000 per year.

In response to a similar proposal from this year (SB 703), officials from the **Department of Insurance (INS)** stated they would be a redeeming agency for the pregnancy resource center tax credit administered by the Department of Social Services. It is assumed DOS, after DOR informed them of reallocation of credits, would have the responsibility of informing taxpayers any reallocation of tax credits as stated in section 135.631. This would result in an unknown shift from other tax credits to the pregnancy resource center tax credit, thereby potentially having an impact to the County Foreign and County Stock Insurance Funds.

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

ASSUMPTION (continued)

Oversight assumes 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. Therefore, this potentially could impact locals schools.

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 Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than \$1,500. The Secretary of State's office 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 our office can sustain with our 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.

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. 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 \$2 million in tax credits could be utilized in FY 2008.

This proposal would 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>Cost - Dept. of Social Services</u>			
Personal Service (1 FTE)	(\$25,430)	(\$31,292)	(\$32,074)
Fringe Benefits	(\$11,205)	(\$13,787)	(\$14,132)
Expense and Equipment	(\$9,759)	(\$1,278)	(\$1,317)
<u>Total Costs to DOS</u>	(\$46,394)	(\$46,357)	(\$47,523)

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2007 (10 Mo.)	FY 2008	FY 2009
<u>Loss</u> - Tax credits for contributions made to Pregnancy Resource Centers	<u>\$0</u>	<u>\$0 to</u> <u>(\$2,000,000)</u>	<u>\$0 to</u> <u>(\$2,000,000)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND *	<u>(\$46,394)</u>	<u>(\$46,357 to</u> <u>\$2,046,357)</u>	<u>(\$47,523 to</u> <u>\$2,047,523)</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</u> - Dept. of Insurance 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><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal authorizes an income tax credit for 50% of contributions to qualified pregnancy resource centers.

Pregnancy resource centers are nonresidential facilities that provide assistance and support to women with crisis or unplanned pregnancies and do not perform, induce or refer for abortions or abortion services.

The tax credit may be taken against income tax, corporate franchise tax, insurance premium tax, financial institutions tax, and express company tax liability. The tax credit is not refundable, but can be carried forward and claimed for up to four taxable years.

The maximum credit a taxpayer can claim is \$50,000 per year, and the minimum contribution must be at least \$100. The statewide maximum of tax credits that can be taken in any one year is \$2 million. The Department of Social Services is to designate the centers and apportion the credits when the applications exceed the statewide cap.

The provisions of the bill will expire six years from the effective date.

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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Director
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