COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4498-01
Bill No.: HB 1621
Subject: Revenue Department; Social Services Department; Taxation and Revenue.
Type: Original
Date: February 14, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue*	$0	$0	$0
Total Estimated Net Effect on General Revenue Fund*	**$0**	**$0**	**$0**

*** Offsetting income and costs.**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

In response to a similar bill from this year (SB 614), officials from the **Department of Insurance (INS)** stated that although the bill defines a taxpayer as including insurance companies (chapter 148), the bill only allows for redemption against chapter 143 income which does not include insurance companies. Therefore, INS assumed no fiscal impact.

Officials from the **Office of Administration - Budget and Planning** assume the proposal requires the residential treatment agency to pay to the state an amount equal to the value of the tax credit being issued. Therefore, this proposal has no impact on General and Total State Revenues.

Officials from the **Department of Social Services (DOS)** assumes that the proposed legislation will have little or no impact on their Division of Budget and Finance or the Children's Division. Any impact will be absorbed through existing staff and appropriations.

In response to a similar proposal from 2005, DOS stated approximately $67,000,000 of General Revenue and Federal funds were paid to residential treatment centers in FY '04.

ASSUMPTION (continued)

Oversight has, therefore, ranged the fiscal impact of the tax credit from $0 (no taxpayer utilizing the program) to $26,800,000 ($67,000,000 x 40%) for the Residential Treatment Agency Tax Credit.

Officials from the **Department of Revenue (DOR)** state this legislation will require modifications to their individual and corporate income tax systems. DOR's Division of Taxation estimates these modifications will require (MINITS/1,384 hours) a programming cost of $46,170. COINS will also need to be modified (692 hours) for a programming cost of $23,085. DOR assumes these costs will be covered with current IT staff. In the event multiple new credits are passed, this cost could exceed current appropriation levels and result in additional funds being requested.

The number of taxpayers who will contribute and become eligible for this credit is unknown at this time. Personal Tax believes the number of taxpayers will be below 6,000; therefore, the need for FTE is not being requested at this time. However, if the credits claimed reached above 6,000, one Tax Processing Technician I would be required which would be requested through the regular budget process.

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, we also recognize 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, we reserve 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 assumes the General Revenue Fund would see an increase in funds (accompanying a valid tax credit application) as well as an offsetting decrease in funds (from the utilization of tax credits) in the same year. The timing difference between the purchasing of the tax credit by the agency and the utilization of the tax credit by the donor, could potentially result in a positive cash flow into the General Revenue Fund in one fiscal year and negative cash flow in the next fiscal year. However, Oversight will assume the purchase of the tax credits and the utilization of the tax credits will occur in the same fiscal year.

ASSUMPTION (continued)

This proposal could result in an increase or decrease to Total State Revenues, depending upon the timing of the tax credit application versus the utilization of the tax credit.

FISCAL IMPACT - State Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
Income - money accompanying the application from residential treatment agencies to DOS for tax credit (Section 135.1142)	$0 to $26,800,000	$0 to $26,800,000	$0 to $26,800,000
Loss - Tax credits for contributions made to qualifying residential treatment agencies (Section 135.1142)	$0 to ($26,800,000)	$0 to ($26,800,000)	$0 to ($26,8000,000)
ESTIMATED NET EFFECT TO GENERAL REVENUE	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses that are residential treatment agencies could be affected by this proposal.

DESCRIPTION

This proposal establishes the Residential Treatment Agency Tax Credit Act which authorizes a tax credit for 50% of the amount contributed to a qualified residential treatment agency. To be a qualified residential treatment agency, the agency must be licensed under Section 210.484, RSMo, and contract with the Department of Social Services to provide treatment services. On behalf of individuals who have made donations, an agency can apply for tax credits in an aggregate amount that does not exceed 40% of the payments received by the agency from the department in the preceding 12 months.

The tax credit is non-refundable, can be carried back three years or forward four years, and is fully transferrable.

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

Mickey Wilson, CPA
Director
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