

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0914-01  
Bill No.: HB 453  
Subject: Charities; Revenue Dept.; Taxation and Revenue - Income  
Type: Original  
Date: January 29, 2007

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Bill Summary: Would authorize an income tax credit for donations to food pantries.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
General Revenue	(\$31,188 to \$2,031,188)	(\$32,248 to \$2,032,248)	(\$33,216 to \$2,033,216)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$31,188 to \$2,031,188)</b>	<b>(\$32,248 to \$2,032,248)</b>	<b>(\$33,216 to \$2,033,216)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of the Secretary of State** (SOS) stated that 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 \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, 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.

Officials from the **Department of Revenue** (DOR) assume this proposal would create a new tax credit, beginning on or after January 1, 2007 against the tax due under chapter 143, for any taxpayer who donates cash or food to any local food pantry as defined, to the extent the amounts are not already included in the taxpayer's itemized deductions. The tax credit would be equal to 50% of the value of the donations made, but could not exceed the taxpayer's tax liability for the tax year and could not exceed \$2,500 per taxpayer.

The credit is not refundable or transferable, but may be carried forward for 4 years. The cumulative amount of tax credits to be allocated to all taxpayers by April 15th in any one fiscal year could not exceed \$2 million.

DOR assumes that Corporate/Franchise Tax would require 1 Tax Processing Technician I to track, apportion, and process the new credit and Personal Tax would require 1 Tax Processing Technician I per every 4,000 credits claimed.

Office of Administration Information Technology (ITSD DOR) estimates the IT portion of this request can be accomplished within existing resources, however; if priorities shift, additional FTE or overtime would be needed to implement this proposal.

In summary, DOR submitted a cost estimate including the 2.0 new FTE and related equipment and expense, totaling \$74,466 for FY 2008, \$78,168 for FY 2009, and \$80,153 for FY 2010. In response to a similar proposal in the previous session (HCS for HB 1581, LR 4345-03), DOR assumed the need for one additional FTE Tax Processing Tech I.

ASSUMPTION (continued)

**Oversight** will use the previous DOR assumption, and will further assume that DOR would be able to implement the proposal with existing IT staff. If multiple provisions are enacted requiring additional staffing or if unanticipated costs are incurred, DOR could request resources through the budget process.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional staff to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. In addition, Oversight has reduced certain equipment and expense items in accordance with Office of Administration budget guidelines. Oversight assumes that the relatively small number of additional staff can be located in existing office space.

Oversight will range the fiscal impact of the new tax credit program from \$0 (no taxpayers taking advantage of the tax credit) to the annual cap of \$2,000,000. This tax credit is for tax years beginning on or after January 1, 2007, therefore there could be a reduction in revenue collections in FY 2008.

Although they did not respond to our request for information, officials from the **Office of Administration - Budget and Planning** (BAP) assumed a similar proposal in the previous session (HCS for HB 1581, LR 4345-03) would create an income tax credit equivalent to 50% of a qualifying contribution to an emergency food pantry. A taxpayer would be allowed a maximum credit of \$2,500, and the total amount of credits to be issued under this program shall not exceed \$2 million in a given fiscal year. BAP assumed the ceiling would be reached and that the proposal would reduce General and Total State Revenues by \$2 million.

**This proposal would reduce Total State Revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
<b>GENERAL REVENUE</b>			
<u>Cost - Department of Revenue (DOR)</u>			
Personal Service (1 FTE)	(\$17,820)	(\$22,026)	(\$22,686)
Fringe Benefits	(\$7,851)	(\$9,704)	(\$9,996)
Expense and Equipment	(\$5,517)	(\$518)	(\$534)
<u>Total Costs - DOR</u>	<u>(\$31,188)</u>	<u>(\$32,248)</u>	<u>(\$33,216)</u>
<u>Loss - Department of Revenue</u>			
Tax credit for donations to food pantries	<u>\$0 to</u> <u>(\$2,000,000)</u>	<u>\$0 to</u> <u>(\$2,000,000)</u>	<u>\$0 to</u> <u>(\$2,000,000)</u>
<b>ESTIMATED NET EFFECT TO GENERAL REVENUE</b>	<b><u>(\$31,188 to</u> <b><u>\$2,031,088)</u></b></b>	<b><u>\$32,248 to</u> <b><u>\$2,032,248)</u></b></b>	<b><u>(\$33,216 tp</u> <b><u>\$2,033,216)</u></b></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact to small businesses which make donations to designated food pantries.

FISCAL DESCRIPTION

This proposal would authorize an income tax credit for donations to food pantries.

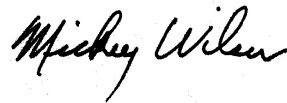
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State  
Department of Revenue

NOT RESPONDING

**Office of Administration**  
**Division of Budget and Planning**

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

Mickey Wilson, CPA  
Director  
January 29, 2007