

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4570-02  
Bill No.: HB 2259  
Subject: Elderly; Revenue Department; Tax Credits  
Type: Original  
Date: April 7, 2008

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Bill Summary: This proposal authorizes an income tax credit for food or cash donations to senior citizen service centers.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(\$66,975) to (\$2,066,975)	(\$69,442) to (\$2,069,442)	(\$71,527) to (\$2,071,527)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$66,975) to (\$2,066,975)</b>	<b>(\$69,442) to (\$2,069,442)</b>	<b>(\$71,527) to (\$2,071,527)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<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 2009	FY 2010	FY 2011
<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 2009	FY 2010	FY 2011
General Revenue	2	2	2
<b>Total Estimated Net Effect on FTE</b>	<b>2</b>	<b>2</b>	<b>2</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 2009	FY 2010	FY 2011
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (BAP)** state this proposal creates a tax credit program to encourage donations to senior citizen service centers. The program is capped at \$2 million annually. While not refundable, the program has a three-year carry-forward. General and total state revenues may be reduced by \$2 million annually.

Officials from the **Department of Health and Senior Services** assume no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** assume 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 Personal Tax would require one Tax Processing Technician I for every 4,000 credits claimed. Also, Corporate Tax would also require one Tax Processing Technician I for every 5,200 returns verified and 2,080 pieces of correspondence generated.

In all, DOR assumes the need for two FTE (each at \$24,636 annually) at a total cost of roughly \$80,000 annually to administer this program.

DOR also states that due to the Statewide Information Technology Consolidation, their response to a proposal will now also reflect the cost estimates prepared by OA-IT for impact to the various systems. As a result, the impact shown may not be the same as previous fiscal notes submitted. In addition, if the legislation is Truly Agreed To and Finally Passed the OA-IT costs shown will be requested through appropriations by OA-IT.

ASSUMPTION (continued)

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/overtime would be needed to implement. Office of Administration Information Technology (ITSD DOR) estimates that this legislation could be implemented utilizing 1 existing CIT III for 3 month for modifications to MINITS and 3 existing CIT III for 1 month for modifications to the corporate tax systems. The estimated cost is \$25,116.

**Oversight** has, for fiscal note purposes only, changed the starting salary for DOR's Tax Processing Technicians 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 and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

**Oversight** will range the fiscal impact of the new tax credit from \$0 (no one taking advantage of the new program) to the annual limit of \$2 million. Oversight assumes there will be positive benefits as a result of this program; however Oversight considers them to indirect and has not reflected them in the fiscal note.

**Oversight** compared the total tax credit issuances for all programs relative to the total tax credit redemptions for the previous three years in order to determine a relationship between the two. Oversight discovered that the annual redemptions ranged from 79 percent to 86 percent of the annual issuances. Depending on the program, the redeemed credits may have been issued several years prior and carried forward to the years studied; however, Oversight will utilize an estimated redemption total of 83 percent of tax credits issued. Therefore, under this proposal, if \$2,000,000 of additional credits are issued, Oversight would assume \$1,660,000 (83%) of credits to be redeemed, reducing Total State Revenues

**This proposal may reduce Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
<b>GENERAL REVENUE FUND</b>			
<u>Cost - Department of Revenue</u>			
Personal Service (2 FTE)	(\$37,801)	(\$46,722)	(\$48,124)
Fringe Benefits	(\$16,716)	(\$20,660)	(\$21,280)
Expense and Equipment	<u>(\$12,458)</u>	<u>(\$2,060)</u>	<u>(\$2,123)</u>
<u>Total Costs - DOR</u>	(\$66,975)	(\$69,442)	(\$71,527)
FTE Change DOR	2 FTE	2 FTE	2 FTE
<u>Loss - DOR</u>			
Tax credit for 50% of donation to Senior Citizen Services Centers	\$0 to <u>(\$2,000,000)</u>	\$0 to <u>(\$2,000,000)</u>	\$0 to <u>(\$2,000,000)</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b>(\$66,975) TO <u>(\$2,066,975)</u></b>	<b>(\$69,442) TO <u>(\$2,069,442)</u></b>	<b>(\$71,527) TO <u>(\$2,071,527)</u></b>
Estimated Net FTE change for General Revenue Fund	2 FTE	2 FTE	2 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Beginning January 1, 2008, this bill authorizes an income tax credit for donations of cash or food to any senior citizen services center. The amount of the tax credit will be one-half the value of the donation and cannot exceed \$2,500 per taxpayer. The taxpayer must file an affidavit with his or her income tax return verifying the contribution. The tax credit is nonrefundable and cannot

FISCAL DESCRIPTION (continued)

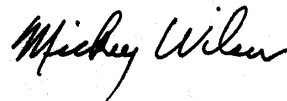
be transferred, sold, or assigned but can be carried forward three years. The annual cumulative amount of tax credits that can be issued is \$2 million. If the applications exceed that amount, the Director of the Department of Revenue will establish a procedure by which the credits are apportioned among all applicants.

The provisions of the bill will expire December 31 five 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  
Office of the Secretary of State  
Department of Health and Senior Services

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

Mickey Wilson, CPA  
Director  
April 7, 2008