

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0046-01  
Bill No.: HB 69  
Subject: Children and Minors; Disabilities; Revenue Department; Tax Credits; Taxation and Revenue  
Type: Original  
Date: January 27, 2009

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Bill Summary: This proposal provides tax credits for certain adoption resource centers.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	\$0	\$0	\$0
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<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.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposal provides tax credits under the Children in Crisis program for certain adoption resource centers. In FY 2008, the total allocation for the Adoption tax credit program was \$4 million and \$3.4 million was redeemed between the Adoption and Children in Crisis programs. Thus, general and total state revenues may be reduced up to an additional \$600,000 each fiscal year.

Officials from the **Department of Revenue (DOR)** assume the proposal would not have a direct impact to Total State Revenue; however, additional taxpayers may be eligible to claim the credit and the General Assembly has the authority to appropriate additional funding.

DOR assumes the need for one Revenue Processing Technician (at \$25,380) for:

- every 4,000 credits claimed in Personal Tax;
- every 5,200 additional errors in Corporate Tax;
- and every 2,080 pieces of additional correspondence in Corporate Tax.

DOR estimates the total expense of the three additional FTE to be roughly \$125,000 per year.

Due to the Statewide Information Technology Consolidation, DOR's 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.

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. The Office of Administration Information Technology (ITSD DOR) estimates that this legislation could be implemented utilizing 1 existing CIT III for 1 month for system modifications to COINS, Café, and E-file. The estimated cost is \$4,441.

**Oversight** assumes DOR will be able to administer the program with existing resources.

Officials from the **Department of Social Services (DOS) -Division of Finance and Administrative Services** state the total tax credit limit for Special Needs Adoptions is \$4 million annually. \$2 million of the Special Needs Adoption tax credit is allocated for the adoption of Missouri children and the other \$2 million is for the adoption of children outside the state of

ASSUMPTION (continued)

Missouri. The unused portion of \$2 million allocated for Missouri children is available to be used for the Children in Crisis tax credit, and any unused portion after that is available for non-resident adoptions. This bill allows more entities to be eligible for donations - it broadens the scope of the Children in Crisis tax credit. However, it does not raise the \$2 million cap to be utilized between the Missouri child portion of the Special Needs Adoption tax credit and the Children in Crisis tax credit.

The Department of Revenue issued a press statement about the Special Needs Adoption tax credit and the Children in Crisis tax credit in 2007. In FY 2007, \$420,571 was used for the adoption of Missouri Children, leaving \$1,579,429 for possible use by the Children in Crisis tax credit. \$168,129 was claimed for the Children in Crisis tax credit.

This bill increases the types of entities eligible for the Children in Crisis tax credit from 3 types to 4 types. If there are 25% more claims to the Children in Crisis tax credit than in FY 07, it could result in \$42,032 more in tax credits issued. This would still not hit the \$2 million cap, and would be considered a loss of state revenue of \$42,032.

The Division of Finance and Administrative Services will likely have to process more applications by agencies (assuming adoption resource centers apply to be qualified agencies). There will also likely be more questions that come in to the Division of Finance and Administrative Services regarding the tax credit. These functions are already being performed for other tax credits. The volume by this broadening of the definition of eligible agencies should not create enough work to justify another FTE. The functions should be able to be absorbed by existing staff. No anticipated fiscal impact to the agency.

Officials from the **Department of Social Services - Children's Division** state the addition of the adoption resource center will not affect their budget as funding for this agency will come from the unclaimed portion of the resident adoption category allocation which provides tax credits to qualified agencies. The Children's Division assumes the proposal would not fiscally impact their agency.

Officials from the **Department of Economic Development** assume this proposal would not fiscally impact their agency.

**Oversight** assumes the proposal does not create an additional tax credit, but simply expands the current special needs adoption tax credit to include Adoption Resource Centers. The credits claimed in the previous two years have totaled \$3.1 million in FY 2007 and \$3.4 million in FY 2008. The Department of Revenue projected redemption amounts of \$4 million (program cap) in

ASSUMPTION (continued)

both FY 2009 and FY 2010.

Currently under the program, the \$4 million annual cap may be increased by appropriation and is split between resident and non-resident adoptions. Oversight assumes with this proposal the annual limit will remain at \$4 million. Oversight assumes the changes within this proposal may increase the utilization of the \$4 million cap; however, since we have already reflected a potential annual loss of up to \$4 million per year from this section in statute, Oversight will assume this proposal will not have further impact to state revenues. For budgeting purposes, Oversight will assume the addition of another benefactor of the \$4 million program, this proposal could result in the savings of \$600,000 (cap of \$4 million less the amount of redemptions in FY 2008 of \$3.4 million) being utilized under a different program.

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

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
<b>GENERAL REVENUE</b>			
<u>Savings</u> - Special Needs Adoption and Children in Crisis Tax Credits (available to new program)	\$0 to \$600,000	\$0 to \$600,000	\$0 to \$600,000
<u>Costs</u> - tax credit now available to adoption resource centers	<u>\$0 to (\$600,000)</u>	<u>\$0 to (\$600,000)</u>	<u>\$0 to (\$600,000)</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

### FISCAL IMPACT - Small Business

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

### FISCAL DESCRIPTION

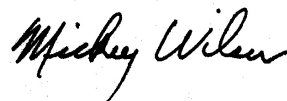
This proposal defines "adoption resource center" as a state-funded agency providing pre- and post-adoption services to families for preventing adoption disruption and recruiting adoptive parents. The bill specifies that qualified centers will get an equal portion of the unclaimed funds set aside for tax credits for non-recurring adoption expenses that is currently divided equally among CASA (Court-appointed Special Advocates), child advocacy centers, and crisis care centers.

The bill also removes obsolete provisions regarding adoption tax credit for special needs children.

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 Economic Development  
Office of Administration - Budget and Planning  
Department of Revenue  
Department of Social Services



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Director  
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