

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0220-01
Bill No.: HB 288
Subject: Tax Credits; Charities
Type: Original
Date: February 1, 2013

Bill Summary: This proposal removes the provision allowing an individual to assign, transfer, sell, or otherwise convey a tax credit for a pregnancy care center contribution and removes the sunset for said credits as well as food pantry donation tax credits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue *	(\$2,413,776)	(\$2,413,776)	(\$2,413,776)
Total Estimated Net Effect on General Revenue Fund	(\$2,413,776)	(\$2,413,776)	(\$2,413,776)

* These credits have an annual cap that could raise the above stated revenue reduction to no more than \$4,000,000 per year.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Note: The fiscal note 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.

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

☐ 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 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§ 135.630 Pregnancy Resource Center

Officials at the **Office of Administration - Budget and Planning** assume the extension of this credit will reduce General and Total State Revenues.

Officials at the **Department of Social Services** assume no impact on the department as the duties performed by staff would continue as they did prior to the sunset.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. The department has no means to arrive at a reasonable estimate of loss in premium tax revenue as a result of tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

According to the Tax Credit Analysis submitted by the Department of Social Services regarding this program, the Pregnancy Resource Center tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Certificates Issued (#)	3,708	3,729	3,827
Amount Issued	\$1,324,130	\$1,795,230	\$1,844,684
Amount Redeemed	\$1,198,062	\$1,103,384	\$1,892,183

Oversight assumes the Pregnancy Resource Center tax credit previously sunset on August 28, 2012. This part of the proposal removes the sunset language and extends this tax credit; therefore, Oversight will show a loss to state revenue for the credits that may be issued in FY 14, FY 15 and FY 16. This credit has an annual cap of \$2 million dollars. Oversight will reflect a loss of revenue to the State equal to the average amount issued over the last five years (\$1,523,454).

§ 135.647 Food Pantry Tax Credits

Officials at the **Office of Administration - Budget and Planning** assume the extension of this credit will reduce General and Total State Revenues.

ASSUMPTION (continued)

Officials at the **Department of Revenue** assume this proposal creates an unknown, negative impact on Total State Revenue.

According to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Food Pantry tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Redeemed	\$793,734	\$1,081,076	\$796,156

Oversight assumes the Food Pantry tax credit previously sunset on August 28, 2011. This part of the proposal removes the sunset language and extends this tax credit; therefore, Oversight will show the loss to state revenue for the credits that may be issued in FY 14, FY 15 and FY 16. Oversight assumes the credit has an annual cap of \$2 million dollars. Oversight will reflect the amount of loss of revenue to the State equal to the average amount issued over the last four years (\$890,322).

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
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GENERAL REVENUE

Revenue Reduction - extension of tax credits

§ 135.630 - Preg Resource Center *	(\$1,523,454)	(\$1,523,454)	(\$1,523,454)
§ 135.647 - Food Pantry *	(\$890,322)	(\$890,322)	(\$890,322)
<u>Total Revenue Reduction</u>	<u>(\$2,413,776)</u>	<u>(\$2,413,776)</u>	<u>(\$2,413,776)</u>

ESTIMATED NET EFFECT ON

GENERAL REVENUE	<u>(\$2,413,776)</u>	<u>(\$2,413,776)</u>	<u>(\$2,413,776)</u>
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* These credits have an annual cap that could raise the above stated revenue reduction to no more than \$4,000,000 per year.

Note: The fiscal note 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.

FISCAL IMPACT - Local Government

FY 2014
(10 Mo.)

FY 2015

FY 2016

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Small businesses that receive the credits would be affected.

FISCAL DESCRIPTION

This proposal eliminates the sunset clause on the tax credit for a contribution to a pregnancy resource center and on the tax credit for a donation to a food pantry. The proposal repeals a provision that allows the pregnancy resource center tax credit to be assigned, transferred, sold or otherwise conveyed.

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 Insurance, Financial Institutions and Professional Registration
Department of Revenue
Department of Social Services
Office of Administration
Budget and Planning



Ross Strope
Acting Director
February 1, 2013