

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0530-01
Bill No.: HB 101
Subject: Tax Credits; Appropriations
Type: Original
Date: January 20, 2017

Bill Summary: This proposal specifies that all new and existing tax credits shall be approved by the General Assembly as part of the budget process.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning (B&P)** assume this proposal will not directly impact General and Total State Revenues. However, if redemptions increase or decrease due to changes in the legislative approval process, General and Total State Revenues may be impacted. This proposal may also impact economic activity associated with the various tax credit programs. B&P cannot estimate the resultant impacts on General and Total State Revenues.

Officials at the **Department of Economic Development (DED)** assume the impact of this proposal to DED is contingent upon what the General Assembly does if this proposed legislation is passed. If the General Assembly does not approve the report it would be a negative impact to the state because the lack of benefits to businesses will likely negatively affect Total State Revenue. However, if the General Assembly does approve the report then it would be no impact.

Officials at the **Missouri Housing Development Commission (MHDC)** assume that while there is no direct impact to General or Total State Revenues, should the Legislature fail to approve the issuance of credits in both the Affordable Housing Tax Credit (AHAP) and the Missouri Low-Income Housing Tax Credit (MOLIHTC) programs, the estimated impact could total \$641,079,616 to unknown.

Officials at the **Missouri Development Finance Board (MDFB)** assume the BUILD tax credit would be impacted. With this program, the Board authorizes a stream of credits to be issued over 15 years and executes a contract with a company that is expanding its infrastructure and has agreed to create jobs. Currently, the Board has contracted to issue \$150.7 million over 15 years. It is the opinion of the Board staff that all contractual obligations will need to be upheld regardless of new legislation.

Board staff estimate the MDFB Infrastructure Development could be affected by donor behavior, in regards to timing of donations and timing of redemptions. This impact could be up to \$25 million, the maximum credit the Board is authorized to issue per fiscal year.

The Board utilized the MDFB Bond Guarantee tax credits as a part of its bond security for financing the debt on its parking garages. These credits are only issued in the event of a Board default. Any reduction or elimination of these credits would constitute an immediate default in the security terms of these bonds causing \$25,250,000 in authorized credits to be issued immediately upon passage of such legislation.

ASSUMPTION (continued)

Officials at the **Department of Agriculture** assume that since the amount approved in the budget process is unknown, the fiscal impact in any given year could range from \$0 to the elimination of the \$8 million tax credit allocation for that year.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume the proposal could have an unknown impact on premium taxes contingent on the future actions of the General Assembly.

Officials at the **Department of Natural Resources, Department of Revenue, Department of Social Services, Missouri House of Representatives** and the **Missouri Senate** each assume there is no fiscal impact from this proposal to their respective organization.

Oversight assumes the current statutes require that all new tax credits be reviewed and approved by a majority of the senate appropriations committee and the house budget committee. This proposal would require all new and existing tax credits to be reviewed and approved by both houses of the General Assembly.

According to the Tax Credit Report published by the Department of Revenue the tax credit amounts authorized, issued and redeemed over the last five years are listed below:

Fiscal Year	Amount Authorized	Amount Issued	Amount Redeemed
FY 2016	\$495,774,489	\$391,935,500	\$575,371,359
FY 2015	\$643,835,361	\$352,075,200	\$513,311,853
FY 2014	\$638,462,317	\$379,747,860	\$549,760,534
FY 2013	\$551,900,475	\$358,556,195	\$512,911,235
FY 2012	\$528,429,778	\$416,873,032	\$629,311,551
Five year average	\$571,680,484	\$379,837,557	\$556,133,306

Oversight assumes that should the General Assembly fail to approve the tax credits per this proposal, or chose to lower the amount of tax credits approved, this would result in a savings to the state.

ASSUMPTION (continued)

Since this proposal requires the General Assembly to take an action on the tax credits, **Oversight** assumes this proposal does not have a direct fiscal impact on General and Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

If the tax credits are not approved, then small businesses that claimed the tax credits in the past would be unable to do so in the future.

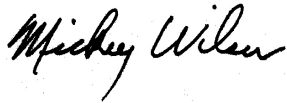
FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

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 Agriculture
Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Natural Resources
Department of Revenue
Department of Social Services
Missouri Finance Development Board
Missouri Housing Development Commission
Missouri House of Representatives
Missouri Senate
Office of Administration
Division of Budget and Planning



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