COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4038-01
Bill No.: Perfected HB 1429
Subject: Tax Credits, Charities, Housing
Type: Original
Date: February 8, 2018

Bill Summary: This proposal authorizes a tax credit for donations to a homeless shelter.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	$0	(Up to $2,500,000)	(Up to $2,500,000)
Total Estimated Net Effect on General Revenue	**$0**	**(Up to $2,500,000)**	**(Up to $2,500,000)**

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.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on Other 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 2019	FY 2020	FY 2021
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

In response to the previous version, officials at the **Office of Administration Division of Budget and Planning** (**B&P**) assumed this proposal would create a tax credit for taxpayers that donate at least $100 to a homeless shelter, beginning January 1, 2019. Taxpayers can claim a tax credit for an amount equal to 50% of their contribution, but the amount cannot exceed their state tax liability for the year or $50,000. Any tax credit not claimed in the tax year can be carried forward to the next four succeeding tax years. Issuances of these tax credits are capped at $2,500,000, annually. This proposal could, therefore, reduce General Revenues by up to $2,500,000, annually, beginning in FY 2020.

This proposal could impact the calculations under Article X, Section 18(e).

Officials at the **Department of Revenue** (**DOR**) assume beginning January 1, 2019, taxpayers may claim a tax credit for 50 percent of the donation to a homeless shelter. No one taxpayer may claim more than $50,000 per tax year. The Director of the Department of Social Services must annually classify which facilities are homeless shelters and establish a procedure for apportionment among all homeless shelters. The proposed legislation sets the cumulative amount of tax credits at no more than $2.5 million per year.

The Personal Tax Section would require one Revenue Processing Technician I ($26,340) for every 6,000 tax credits redeemed. The Corporate Tax Section would require one Revenue Processing Technician I ($26,340) for every 4,000 tax credits redeemed and one Revenue Processing Technician I ($26,340) for every 2,600 pieces of additional correspondence generated. The Collections & Tax Assistance Section will receive additional customer contacts from taxpayers with questions regarding the tax credit and notices of adjustments. This section requires one Tax Collection Technician I ($26,340) for every additional 12,000 contact annually on the non-delinquent tax line. This technician requires CARES equipment and license.

In summary, DOR assumes a cost of approximately $185,000 per fiscal year to administer this new tax credit.

Oversight notes a significantly high percentage of income tax returns are prepared online, electronically, or by paid preparers, and assumes there would not be a significant amount of additional work resulting from the changes in this proposal. Oversight assumes existing DOR staffing would be adequate to implement this proposal. If unanticipated additional costs are incurred or if multiple proposals are implemented that increase DOR costs or the workload for DOR employees, resources could be requested through the budget process.

ASSUMPTION (continued)

Officials at the **Department of Social Services** assume there is no fiscal impact from this proposal.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume a potential unknown decrease in premium tax revenues may occur as a result of the creation of donation to homeless shelter tax credit. 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.

The department will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Oversight assumes this proposal begins with tax years starting January 1, 2019, and therefore, the first time this would be claimed on a taxpayer's tax return would be FY 2020. Oversight will reflect the impact as Up to the $2.5 million annual cap.

Oversight notes this tax credit would be similar to the other benevolent tax credits listed here:

Social Tax Credit	**Annual Cap**	**5 Year Issue Average**	**2017 Certificates Issued (count)**
Food Pantry	$1,750,000	$954,394	N.A.
Maternity Home	$2,500,000	$2,168,578	2,133
Pregnancy Resource Centers	$2,500,000	$2,177,983	4,628
Shelters for Victims of Domestic Violence	$2,000,000	$1,452,567	2,364

Source: Tax Credit Analysis Forms

FISCAL IMPACT - State Government	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE			
Revenue Reduction - tax credit for donations to homeless shelters §135.620	$0	(Up to $2,500,000)	(Up to $2,500,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0**	**(Up to $2,500,000)**	**(Up to $2,500,000)**

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 2019 (10 Mo.)	FY 2020	FY 2021
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses that make a qualifying donation may receive the tax credit and be positively impacted.

FISCAL DESCRIPTION

Beginning January 1, 2019, this bill authorizes a tax credit equal to 50% of a taxpayer's contribution to a homeless shelter. The amount of the credit claimed by any one taxpayer cannot exceed $50,000 per year. The credit is non-refundable, cannot be assigned, transferred, or sold, but can be carried forward four years. With the exception of any credit carried over, to claim a tax credit, the total value of contributions to qualified organizations during the taxable year must be over $100. The cumulative amount of tax credits cannot exceed $2.5 million per tax year. The credits will be issued in the order contributions are received.

The Director of the Department of Social Services will determine which organizations are qualified and establish a procedure for taxpayers to determine which organizations are qualified and how the credits are apportioned. Each homeless shelter must provide relevant information to the Director of the Department of Revenue including who made a contribution and the amount of such contribution.

FISCAL DESCRIPTION (continued)

The provisions of this bill will expire December 31 six years after 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 Insurance, Financial Institutions and Professional Registration
Department of Revenue
Department of Social Services
Office of Administration
Division of Budget and Planning

Ross Strope

Acting Director
February 8, 2018

JH:LR:OD