

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5125-04
Bill No.: HCS for SCS for SB Nos. 632 & 675
Subject: Tax Credits, Department of Revenue, Children and Minors, Disabilities, Tax Incentives
Type: Original
Date: May 8, 2018

Bill Summary: This proposal changes the law regarding taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2022)
General Revenue	(Up to \$150,000)	(Up to \$3,150,000)	(Up to \$10,950,000)	(Up to \$13,950,000)
Total Estimated Net Effect on General Revenue	(Up to \$150,000)	(Up to \$3,150,000)	(Up to \$10,950,000)	(Up to \$13,950,000)

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	Fully Implemented (FY 2022)
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 19 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2022)
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2022)
Total Estimated Net Effect on FTE	0	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	Fully Implemented (FY 2022)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§33.543 Sports Stadium Funding

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this section prohibits expending public funds for any sports stadium or facility if twenty-nine other states adopt similar restrictions. The section explicitly overrides any existing laws - excluding constitutional provisions allowing such expenditures. While the proposed language states the new provision shall not "breach any existing contract or inhibit bond financing and payment for any project approved prior to this date", such an outcome seems unlikely if the agreements' authorizing statutes are voided and general revenue expenditures are prohibited. If this language is interpreted to preclude payment of debt service for existing bonds for sports stadiums or facilities, the state's bond rating could be adversely affected.

If this section voids any existing subsidy, tax abatement, tax credit, tax deduction, or tax exemption, it could increase total state revenues by an unknown amount and could impact the Article X, Section 18(e) calculation.

Budget and Planning defers to the OA/Division of Accounting for more specific impact information.

Officials at the **Office of Administration's Division of Accounting** assume there is no fiscal impact from this proposal.

Oversight assumes, for fiscal note purposes, the new provision shall not "breach any existing contract or inhibit bond financing and payment for any project approved prior to this date", and will show no direct fiscal impact.

Oversight notes that it could take several years to satisfy the provisions of this proposal of requisite number of states to adopt substantially similar measures.

§67.3000 and §67.3005 Amateur Sporting Event Tax Credits

Officials at the **B&P** assume these sections make multiple changes to the sports contribution tax credit. They expand the credit to additional college level sporting events, they expand the credit to participant-based events, require the actual number of tickets or participants to be used when determining the credit amount, and extend the sunset date from 2019 to 2030.

In addition, B&P notes that this proposal limits the tax credits to \$2.7 million per year for Jackson County, St. Louis County, and St. Louis City. This could increase Total State Revenue

ASSUMPTION (continued)

and General Revenue if this reduces the amount of credits that would otherwise have been awarded.

In response to similar legislation this year, officials at the **Department of Economic Development (DED)** assumed that it amends the Sporting Event Tax Credit to include “collegiate” events. It makes other changes but leaves the cap on the program at \$2.7 million annually. It extends the sunset from 2018 to 2030. The impact will be \$2.7 million annually starting FY 2019. DED will need to hire one Economic Development Incentive Specialist III (\$53,136) to administer the program.

Oversight notes this proposal extends the sunset on an existing program and expands the credit to allow \$10 for every paid participant registration. However, the cap on the program is unchanged. DED should be able to absorb the duties of the proposal with existing resources.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Amateur Sporting Ticket Sales tax credit program (§67.3000) had the following activity;

	FY 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Certificates Issued	6	3	15	10	10
Projects	8	3	15	10	10
Amount Authorized	\$728,708	\$942,800	\$5,296,200	\$2,200,000	\$1,800,000
Amount Issued	\$585,735	\$237,050	\$2,175,700	\$2,035,825	\$1,500,000
Amount Redeemed	\$38,610	\$17,800	\$1,316,815	\$500,000	\$500,000

Amount Outstanding - \$1,078,135 Amount Authorized but Unissued - \$3,918,305

Oversight notes this proposal would extend this tax credit from August 28, 2019 to August 28, 2030. This credit is given for 100% of eligible costs or \$5 per admission ticket. This proposal expands the credit to allow \$10 for every paid participant registration. This tax credit has a \$3 million annual cap. This proposal places a limit on all events located in certain areas of the state of \$2.7 million of the total. Per Oversight fiscal note policy, the fiscal note will reflect the extension of this tax credit starting in FY 2022.

Oversight notes that this tax credit requires approval of the sports contract prior to the event being held. Once the event is held and costs are submitted to the agency the credits are issued. Due to the lag time between authorization and issuance of these credits, Oversight assumes the extension of the credit would begin in FY 2022.

ASSUMPTION (continued)

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Amateur Sporting Contribution tax credit (§67.3005) program had the following activity;

	FY 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Certificates Issued	7	0	13	7	7
Projects	7	0	13	7	7
Amount Authorized	\$14,000	\$20,000	\$18,750	\$20,000	\$20,000
Amount Issued	\$14,000	\$0	\$39,250	\$20,000	\$20,000
Amount Redeemed	\$0	\$0	\$12,500	\$15,000	\$15,000

Amount Outstanding - \$40,750 Amount Authorized but Unissued - \$110,000

Oversight notes this tax credit is a prepay credit. A person makes a donation to an eligible organization and half the payment is sent to the state by the organization. Upon receipt of the payment by the State, the tax credit is issued. Oversight notes that since the payment is received in advance of the issuance of the tax credit, extending this credit would not fiscally impact the State.

§135.090 Peace Officer Surviving Spouse Tax Credit

Officials at the **B&P** assume this section would extend the sunset date for the Surviving Spouse of Public Safety Officers tax credit from 12/31/2019 to 12/31/2024. B&P estimates that this provision will not impact Total State Revenue or the calculation under Article X, Section 18(e).

Oversight notes according to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Peace Officer Surviving Spouse tax credit program had the following activity;

	FY 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Amount Redeemed	\$70,941	\$117,554	\$89,502	\$90,000	\$90,000

Oversight notes the Peace Office Surviving Spouse tax credit does not have an annual cap. Currently, this tax credit is to sunset on December 31, 2019 (FY 2020). This proposal extends the sunset date until December 31, 2024. Oversight notes the bill would extend this tax credit from FY 2020 to FY 2025. Oversight will show the impact as Up to \$100,000.

ASSUMPTION (continued)

§135.341 Champion for Children tax credit

Officials at the **B&P** assume this section expands the definition for child advocacy centers and extends the final date to issue tax credits for contributions to qualified crisis child agencies to December 31, 2024. This section increases the cap on the Champion for Children Tax Credit to \$1.5 million beginning July 1, 2019. The current cap is \$1.0 million, but B&P notes the average amount of redemptions over the last three fiscal years is \$999,950. B&P estimates this proposal could decrease Total State Revenue and General Revenue by \$500,000 annually beginning with FY 2020.

This section states that the Champion for Children tax credit may not be assigned, transferred, or sold. B&P estimates that this provision may have a minimal unknown positive impact on Total State Revenue and General Revenue.

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

Officials at the **Department of Revenue (DOR)** assume this proposed legislation increases the maximum redeemable amount for the Champion for Children Tax Credits from \$1 million to \$1.5 million annually. Subsequently, Total State Revenue could decrease by an estimated \$500,000.

Fiscal Year	Impact
FY19	\$0
FY20	(\$500,000)
FY21	(\$500,000)

Oversight notes according to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Champion for Children tax credit program had the following activity;

	FY 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Amount Redeemed	\$999,990	\$999,987	\$999,873	\$999,999	\$999,999

Amount Outstanding - not declared Amount Authorized but Unissued - not declared

Oversight notes this tax credit has a \$1 million annual cap. This proposal increases the annual cap to \$1.5 million starting July 1, 2019 (FY 2020), and changes the stop date of this tax credit from December 31, 2019 (FY 2020) to December 31, 2024. The credit is given to a taxpayer up to 50% of the donation they made to a qualified agency.

ASSUMPTION (continued)

Oversight notes this proposal expands the definition of child advocacy centers which could increase the number of taxpayers eligible of this credit. This tax credit has been near the \$1 million cap. Increasing the number of qualifying centers and the cap could result in more taxpayers filing for the credit. Oversight will reflect the increase in the cap starting in FY 2020.

§135.562 Residential Dwelling tax credit

Officials at the **B&P** assume this would extend the sunset date for the Residential Dwelling Access tax credit from 12/31/2019 to 12/31/2024. B&P estimates that this provision will not impact Total State Revenue or the calculation under Article X, Section 18(e).

Oversight notes according to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Residential Dwelling tax credit program had the following activity;

	FY 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Amount Redeemed	\$18,190	\$10,233	\$7,053	\$8,000	\$8,000

Oversight notes the Residential Dwelling tax credit has a \$100,000 annual cap. Currently, this tax credit is to sunset on December 31, 2019 (FY 2020). This proposal extends the sunset date until December 31, 2024. Oversight notes the bill would extend this tax credit from FY 2020 to FY 2025. Oversight will show the impact as Up to \$100,000 in FY 2021.

§135.600 Maternity Home tax credit

Officials at the **B&P** assume this section extends the sunset date for the Maternity Home tax credit to December 31, 2024. This section would increase the annual authorization cap from \$2.5 million to \$3.5 million beginning July 1, 2019. B&P notes that the three-year average authorizations amount is \$2.4 million. Therefore, B&P estimates that this provision could reduce Total State Revenue and General Revenue by \$1 million annually beginning with FY 2020.

This section states that the Maternity Home tax credit may not be assigned, transferred, or sold. B&P estimates that this provision may have a minimal unknown positive impact on Total State Revenue and General Revenue.

This section also reduces the carry-forward allowance from four years to one year. B&P notes that while this provision will not impact Total State Revenue, there could be a cash flow impact to General Revenue as redemptions may occur sooner than they otherwise would have.

ASSUMPTION (continued)

Officials at the **DOR** assume this proposal increases the cumulative amount of the credits from \$2.5 million to \$3.5 million beginning July 1, 2019 (FY20).

Fiscal Year	Impact
FY19	\$0
FY20	(\$1,000,000)
FY21	(\$1,000,000)

Oversight notes according to the Tax Credit Analysis submitted by the Department of Social Services regarding this program, the Maternity Home tax credit program had the following activity;

	FY 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Certificates Issued	2,572	2,883	2,113	2,500	2,500
Amount Authorized	\$2,104,022	\$2,499,405	\$2,482,714	\$2,450,000	\$2,450,000
Amount Issued	\$2,104,022	\$2,499,405	\$2,482,714	\$2,450,000	\$2,450,000
Amount Redeemed	\$1,511,157	\$1,657,333	\$2,422,510	\$1,850,000	\$1,850,000

Amount Outstanding - \$2,115,891 Amount Authorized but Unissued - \$0

Oversight notes the Maternity Home tax credit has a \$2,500,000 annual cap. Currently, this tax credit is to stop on June 30, 2020. This proposal adds sunset language and now will expire on June 30, 2024. Oversight notes this Maternity Home tax credit would extend from FY 2021 to FY 2024.

Oversight notes this proposal increase the cap on the credit starting July 1, 2019 (FY 2020) to \$3,500,000. Oversight will reflect the increase in the cap starting in FY 2020.

§135.621 Diaper Bank Tax Credit

Officials at the **B&P** assume this section would create a tax credit for qualified contributions to qualified diaper bank, beginning with tax year starting on or after July 1, 2019. A taxpayer shall be allowed a credit up to 50 percent of the qualified contribution, but the credit shall not exceed \$50,000 per tax year. The tax credit shall not be refundable, is allowed to be carry forwarded for one year, and may not be transferred, sold, or assigned. This program has a sunset date of December 31, 2024.

ASSUMPTION (continued)

Section 135.621.8 places an annual cumulative cap of \$500,000 on the amount of tax credits that may be claimed per tax year. Therefore, B&P estimates that this proposal may reduce Total State Revenue and General Revenue by \$500,000 annually beginning in FY 2020.

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

Officials at the **DOR** assume this proposal allows for a 50 percent tax credit for a taxpayer that makes a qualifying donation to a diaper bank. The cumulative tax credits that can be claimed by all taxpayers contributing to a diaper bank in any one fiscal year shall not exceed \$500,000. Therefore, the Department estimates that this proposed legislation could decrease state revenues by an estimated \$500,000 each year.

Fiscal Year	Impact
FY19	\$0
FY20	(\$500,000)
FY21	(\$500,000)

Oversight found for informational purposes, the National Diaper Bank Network reports there are 224,469 children in Missouri under the age of 3. Currently, there are 10 diaper banks in Missouri that distribute 1,587,439 diapers annually. They are located in:

- Columbia
- Springfield
- Fenton
- Higginsville
- New Madrid
- Richmond
- St. Louis
- St. Joseph

Oversight notes this proposal creates a tax credit for 50% of a contribution made to a diaper bank. This credit is to begin July 1, 2019, therefore Oversight will show the credit in the year in which tax returns would first be filed, FY 2020. This credit has a \$500,000 cap so Oversight will show the impact as Up to the \$500,000.

ASSUMPTION (continued)

§135.630 Pregnancy Resource Center tax credit

Officials at the **B&P** assume this section extends the sunset date for the Pregnancy Resource Center tax credit to December 31, 2024. This section would increase the annual authorization cap from \$2.5 million to \$3.5 million beginning July 1, 2019. B&P notes that the three-year average authorizations amount is \$2.4 million. Therefore, B&P estimates that this provision could reduce Total State Revenue and General Revenue by \$1 million annually beginning with FY 2020.

This section states that the Pregnancy Resource Center tax credit may not be assigned, transferred, or sold. B&P estimates that this provision may have a minimal unknown positive impact on Total State Revenue and General Revenue. This section also reduces the carry-forward allowance from four years to one year. B&P notes that while this provision will not impact Total State Revenue, there could be a cash flow impact to General Revenue as redemptions may occur sooner than they otherwise would have.

Officials at the **DOR** assume the cumulative amount of tax credits which may be claimed by all the taxpayers contributing to pregnancy resource centers in any one fiscal year shall not exceed two million dollars for all fiscal years ending on or before June 30, 2014, and two million five hundred thousand dollars for all fiscal years beginning on or after July 1, 2014, and ending on or before June 30, 2019, and three million five hundred thousand dollars for all fiscal years beginning on or after July 1, 2019.

Fiscal Year	Impact
FY19	\$0
FY20	(\$1,000,000)
FY21	(\$1,000,000)

Oversight notes 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 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Certificates Issued	4,245	4,363	4,628	4,400	4,400
Amount Authorized	\$2,326,435	\$2,499,442	\$2,443,386	\$2,450,000	\$2,450,000
Amount Issued	\$2,326,435	\$2,499,442	\$2,443,386	\$2,450,000	\$2,450,000
Amount Redeemed	\$1,581,045	\$1,845,875	\$2,183,505	\$1,900,000	\$1,900,000

Amount Outstanding - \$2,369,413 Amount Authorized but Unissued - 0

ASSUMPTION (continued)

Oversight notes the Pregnancy Resource Center tax credit has a \$2,500,000 annual cap. Currently, this tax credit is to sunset on December 31, 2019 (FY 2020). This proposal extends the sunset date until December 31, 2024. Oversight notes this Pregnancy Resource Center tax credit would extend from FY 2021 to FY 2024.

Oversight notes this proposal increase the cap on the credit starting July 1, 2019 (FY 2020) to \$3,500,000. Oversight will reflect the increase in the cap starting in FY 2020.

§135.647 Food Pantry Tax Credit

Officials at the **B&P** assume this section amends the Food Pantry tax credit and extends the sunset date from 12/31/2019 to 12/31/2024. This provision would also add food donations to homeless shelters and soup kitchens. B&P estimates that this provision will not impact Total State Revenue or the calculation under Article X, Section 18(e).

Oversight notes 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 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Amount Redeemed	\$1,118,866	\$1,155,480	\$1,584,566	\$1,585,000	\$1,585,000

Oversight notes this tax credit has a \$1,750,000 annual cap. A portion of this proposal changes the sunset date of this tax credit from December 31, 2019 (FY 2020) to December 31, 2024. The credit is given to a taxpayer up to 50% of the donation they made to a qualified food pantry.

Oversight notes a portion of this proposal expands the tax credit from donations to food pantries to include soup kitchens and homeless shelters as well. Oversight notes the FY 2017 redemptions (and projections for FY 2018 and FY 2019) were approximately \$1.6 million; about \$150,000 less than its current cap. This proposal would expand the taxpayers that may be eligible to claim the credit starting in FY 2019 and could increase participation in the program. Oversight will show the possibility of increased redemptions in FY 2019 and 2020 of Up to \$150,000.

§144.011 Dues and Sales Tax Exemption

Officials at the **DOR** assume this legislation appears to have a minimal negative impact. Based on Department records, there are approximately 268 501(c)(7) organizations registered in Missouri. Out of those 268 entities, 10 remit sales tax to the Department.

ASSUMPTION (continued)

Officials at the **B&P** assume this section states that charges for initiation fees or dues for 501(c)(7) organizations shall not be subject to sales tax. Based on information from DOR, this provision may have a minimal negative impact on Total State Revenue and General Revenue.

Oversight notes this proposal would exempt from sales tax non-profit organizations exempt from taxation under Section 501(c)(7) of the IRS Code of 1986. The IRS defines 501(c)(7) as social clubs and can include the following:

- College social/academic fraternities and sororities
- Country clubs
- Amateur hunting, fishing, tennis, swimming and other sport clubs
- Dinner clubs that provide a meeting place library, and dining room for members
- Variety clubs
- Hobby clubs
- Homeowners or community associations whose primary function is to own and maintain recreational areas and facilities.

Oversight assumes that since DOR is the administrator of the sales tax and was able to pull data on existing 501(c)(7) organizations, that their information may be more accurate. Oversight notes that the sales tax does impact General Revenue, the School District Trust Fund, the Conservation Commission Fund, the Parks, Soil & Water Fund as well as Local Political Subdivisions. Based on DOR's response, Oversight will not show an impact from this proposal.

Bill as a Whole

Officials at the **Department of Social Services** and the **Joint Committee on Administrative Rules** each assume there is no fiscal impact from this proposal.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume a potential unknown reduction to premium tax revenues may occur as a result of continuing Maternity Homes Contribution, Diaper Bank and the Pregnancy Resource Center 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 through out 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.

In response to the previous version, officials from the **Office of the Secretary of State (SOS)** state 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
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ASSUMPTION (continued)

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, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Since this proposal contains language regarding the extension of tax credits that were going to sunset, per **Oversight** fiscal note policy, the fiscal note will reflect the extension of the tax credits starting in FY 2021.

Oversight notes that some of the tax credits have language added that no longer allow the credits to be assigned, transferred or sold. Oversight will show an unknown savings from these provisions.

<u>FISCAL IMPACT -</u> State Government	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2022)
GENERAL REVENUE				
<u>Savings</u> - change in the ability to assign, transfer or sell some tax credits	Unknown	Unknown	Unknown	Unknown
<u>Revenue Reduction</u> - extension of the Amateur Sporting Ticket Sales tax credit sunset date §67.3000 p. 3 - 4	\$0	\$0	\$0	(Up to \$3,000,000)

FISCAL IMPACT -
State Government FY 2019 FY 2020 FY 2021 Fully
 (continued) (10 Mo.) Implemented
GENERAL (FY 2022)
REVENUE
 (continued)

Revenue Reduction -
 extension of the
 Peace Officer
 Surviving Spouse
 tax credit sunset
 from 12/31/19 to
 12/31/24 §135.090
 p. 5 \$0 \$0 (Up to \$100,000) (Up to \$100,000)

Revenue Reduction -
 expanding cap from
 \$1M to \$1.5M and
 extension of the
 Champion for
 Children tax credit
 sunset date to
 12/31/24 §135.341
 p.6-7 \$0 (Up to \$500,000) (Up to \$1,500,000) (Up to \$1,500,000)

Revenue Reduction -
 extension of the
 Residential Dwelling
 tax credit program
 from 12/31/19 to
 12/31/24 §135.562
 p. 7 \$0 \$0 (Up to \$100,000) (Up to \$100,000)

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2022)
GENERAL REVENUE (continued)				
<u>Revenue Reduction -</u> expanding cap from \$2.5M to \$3.5M and extension of the Maternity Home tax credit tax credit sunset date from 12/31/19 to 12/31/24 §135.600 p. 7-8	\$0	(Up to \$1,000,000)	(Up to \$3,500,000)	(Up to \$3,500,000)
<u>Revenue Reduction -</u> tax credit for 50% of a contributions to a diaper bank §135.621 p. 8-9	\$0	(Up to \$500,000)	(Up to \$500,000)	(Up to \$500,000)
<u>Revenue Reduction -</u> expanding cap from \$2.5M to \$3.5M and extension of the Pregnancy Resource Center tax credit sunset date from 12/31/19 to 12/31/24 §135.630 p. 10-11	\$0	(Up to \$1,000,000)	(Up to \$3,500,000)	(Up to \$3,500,000)

FISCAL IMPACT -
State Government FY 2019 FY 2020 FY 2021 Fully
 (continued) (10 Mo.) Implemented
GENERAL (FY 2022)
REVENUE
 (continued)

Revenue Reduction -
 extension of the
 sunset date on the
 Food Pantry Tax
 Credit from
 12/31/2019 to
 12/31/2024 - and
 expansion of the
 program §135.647
 p. 11 (Up to \$150,000) (Up to \$150,000) (Up to \$1,750,000) (Up to \$1,750,000)

ESTIMATED NET
EFFECT ON
GENERAL (Up to
REVENUE \$150,000) (Up to
 \$3,150,000) (Up to
 \$10,950,000) (Up to
 \$13,950,000)

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 FY 2020 FY 2021 Fully
 (10 Mo.) Implemented
 (FY 2022)
 \$0 \$0 \$0 \$0

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill prohibits the expenditure of General Revenue funds for professional sports stadiums and related projects unless approved by a vote of the people. The bill does not apply to bond funding authorized by the constitution of this state. The bill also specifically prohibits the state and political subdivisions from passing subsidies, tax credits, tax deductions, and tax exemptions unless approved by a vote of the people.

The bill contains a contingent effective clause requiring 29 specified states out of a set of 32 to enact substantially similar legislation. The Attorney General shall initially make a determination on this condition, but it will ultimately be subject to de novo review in the courts and all citizens of the state shall have standing to challenge the use of public monies in violation of the bill. (§33.543)

This bill re-authorizes the Amateur Sporting Events Tax Credit until August 28, 2030, while making various other changes. Bid fees and financial guarantees are added to the definition of "eligible costs" used to determine the amount of a tax credit authorized, and extends the deadline for a tax credit applicant to submit eligible costs and proper documentation from 30 to 90 days following the conclusion of a sporting event. The bill also adds the Amateur Athletic Union, the National Christian College Athletic Association, the National Junior College Athletic Association, the United States Sports Specialty Association, and rights holder members of the National Association of Sports Commissions to the list of "site selection organizations" that determine tax credit qualifying sporting events. The definition of "sporting events" is then expanded to include collegiate competitions.

The bill further provides that the tax credit authorized by the Amateur Sporting Events Tax Credit program for the hosting of a qualifying sporting event shall be the least of 100% of eligible costs, an amount equal to \$5 for every admission ticket, or an amount equal to \$10 for every paid participant registration if the sporting event did not sell admission tickets. The latter two values shall be calculated using the actual number of tickets sold or registrations paid, not estimates.

Furthermore, for purposes of having a certified support contract necessary for receiving a tax credit, site selection organizations need not use a competitive bid process when organizing collegiate football bowl games or other neutral-site games with at least one out-of-state team. However, in no event shall the tax credit for coordinating a sporting event exceed \$300,000 in any fiscal year for sporting events not located in Jackson County, St. Louis County, or St. Louis City. (§67.3000 and §67.3005)

This proposal extends the Peace Officer Surviving Spouse tax credit sunset from December 31, 2019 to December 31, 2024. (§135.090)

ASSUMPTION (continued)

The Champion for Children Tax Credit is currently scheduled to expire on December 31, 2019. This bill re-authorizes the credit until December 31, 2024. The cumulative amount of tax credits redeemed cannot exceed \$1.5 million (changed from \$1.0 million) in any tax year. (§135.341)

This proposal changes the expiration date from December 31, 2019 to December 31, 2024 for the Residential Dwelling tax credit. (§135.562)

This proposal removes the expiration date of June 30, 2020 on the maternity home tax credit and replaces it with sunset language. The new sunset date is December 31, 2024. Additionally, this proposal increases the annual cap from \$2.5 million to \$3.5 million. (§135.600)

For all tax years beginning on or after January 1, 2019, this act authorizes a tax credit in the amount of fifty percent of a contribution to a qualified diaper bank, as defined in the act. The tax credit shall not be refundable or transferrable, and shall not be carried forward to any other tax year. No tax credit shall be issued in excess of \$50,000, and the total amount of tax credits issued under this act shall not exceed \$500,000 in a given tax year. The Department of Social Services shall annually determine which facilities in the state may be classified as a qualified diaper bank, and the Department shall publish a list of such qualified diaper banks. The Department shall submit an annual report to the General Assembly which shall list all qualified diaper banks that received contributions in the previous year, along with the number of taxpayers that received tax credit certificates. (§135.621)

This proposal changes the sunset date on the pregnancy resource center tax credit to December 31, 2024. Additionally, this proposal increases the annual cap from \$2.5 million to \$3.5 million. (§135.630)

This proposal expands the Food Pantry tax credit to allow donations to local homeless shelters and local soup kitchens. Additionally this credit was to sunset on December 31, 2019 and this proposal extends it until December 31, 2024. (§135.647)

This act exempts nonprofit organizations exempt from taxation under Section 501(c)(7) of the Internal Revenue Code of 1986 from sales and use taxes on charges for initiation fees or dues. (§144.011)

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
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue
Department of Social Services
Joint Committee on Administrative Rules
Office of Administration
 Division of Accounting
 Division of Budget and Planning
Office of the Secretary of State

Ross Strope



Acting Director
May 8, 2018