

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0801-01
Bill No.: HB 312
Subject: Tax Credits; Taxation and Revenue - General
Type: Original
Date: February 4, 2019

Bill Summary: This proposal authorizes a tax credit for certain contraception costs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	\$0	(\$5,105,182)	(\$5,091,073)
Total Estimated Net Effect on General Revenue	\$0	(\$5,105,182)	(\$5,091,073)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	0 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	0 FTE	2 FTE	2 FTE

☒ 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 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal creates a tax credit for a taxpayer's contraceptive costs during a given tax year for tax years beginning on or after January 1, 2020. The amount of tax credits available for this program is \$5,000,000 per fiscal year. This proposal could therefore lower General and Total State Revenues by \$5,000,000 per fiscal year.

Officials at the **Department of Revenue (DOR)** assume this proposal states that, for all tax years beginning January 1, 2020, a taxpayer shall be allowed to claim a tax credit, up to five hundred dollars, against the taxpayer's state tax liability in an amount equal to the cost of contraception incurred during the tax year.

This proposed section states that the Department of Revenue may require the taxpayer to provide proof of costs incurred. This proposal also states that a tax credit issued under this section shall be refundable but shall not be sold, transferred, or assigned.

This proposal states that, in no event shall the aggregate amount of all tax credits allowed under this section exceed five million dollars in any fiscal year. The tax credits issued under this section shall be on a first-come first-served filing basis.

This proposed section states that the Department of Revenue may promulgate rules to implement the provisions of this section. The provisions of the new program authorized under this section shall automatically sunset December 31st six years after the effective date of this section unless re-authorized by an act of the General Assembly. If such program is re-authorized, the program shall automatically sunset December 31st twelve years after the effective date of the re-authorization of this section. This section shall terminate on September first of the calendar year immediately following the calendar year in which the program authorized under this section is sunset.

DOR's Personal Tax requires 1 Revenue Processing Technician I (\$24,360) for every additional 6,000 tax credits redeemed and will require form changes. Corporate Tax requires 1 Revenue Processing Technician I (\$24,360) for every additional 6,000 tax credits redeemed and form changes. DOR assumes the need for 2 FTE from this proposal.

Oversight notes the changes in this proposal would be effective beginning January 1, 2020, and the first income tax returns would be filed reflecting these changes in January, 2021 (FY 2021). For fiscal note purposes, Oversight would include the revenue reductions in the year in which the

ASSUMPTION (continued)

affected tax returns would be filed; therefore, the first year this proposal would have an impact would be FY 2021.

Since the returns will not be filed under FY 2021, **Oversight** will not show the need for DOR to have the additional FTE until FY 2021.

Oversight notes this proposal has a \$5 million annual cap on the tax credit. Oversight will show the impact of the \$5 million in the fiscal note.

Oversight notes that this tax credit may have indirect impacts on the State; however, Oversight only reflects the direct effects of the bill in the fiscal note.

Oversight currently does not have the data or resources available to produce independent revenue projections, therefore Oversight uses the same assumptions for revenue growth as the FY 2020 Consensus Revenue Estimate (CRE) for revenue growth in all future years. The CRE assumes an increase in net general revenue collections of \$192.6 million for FY 2020.

Oversight notes pursuant to §143.011 - §143.022 (SBs 509 & 496 2014) if the previous fiscal year's net general revenue collections exceed the highest net general revenue collections of the three previous fiscal years by at least \$150 million, then there will be a reduction in the individual income tax rate by one-tenth of a percent and a reduction for individual income tax filers of 5% of "business income." These reductions will reduce net General Revenue collections by an estimated \$160.0 million annually. Oversight notes the proposed legislation may impact future net revenue collections and could impact future triggering of the rate reductions required under §143.011 - §143.022.

Officials at the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond current appropriations.

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 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 \$5,000. 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

ASSUMPTION (continued)

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.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE			
<u>Revenue Reduction</u> - DOR §135.610 - tax credit for costs of contraception incurred	\$0	(\$5,000,000)	(\$5,000,000)
<u>Cost</u> - DOR §135.610			
Personal Service	\$0	(\$49,207)	(\$49,699)
Fringe Benefits	\$0	(\$40,217)	(\$40,367)
Equip & Exp	\$0	(\$15,758)	(\$1,007)
<u>Total Cost</u> -	<u>\$0</u>	<u>(\$105,182)</u>	<u>(\$91,073)</u>
FTE Change	0 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>(\$5,105,182)</u>	<u>(\$5,091,073)</u>
Estimated Net FTE Change on General Revenue	0 FTE	2 FTE	2 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal may impact small businesses, if small businesses are considered to be included as a "taxpayer."

FISCAL DESCRIPTION

Beginning January 1, 2020, this bill allows a taxpayer to claim a tax credit up to \$500 for the cost of contraception incurred during the year. Contraception includes any method or device used to prevent pregnancy that is approved by Food and Drug Administration and the taxpayer may be required to provide proof of the costs incurred. The tax credit is refundable, but shall not be sold, transferred, or assigned. The tax credits allowed under this section shall not exceed \$5 million in any fiscal year.

These provisions will sunset 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 Revenue
Joint Committee on Administrative Rules
Office of Administration Division of Budget and Planning
Office of the Secretary of State



Kyle Rieman
Director
February 4, 2019

Ross Strobe
Assistant Director
February 4, 2019