

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5218-02
Bill No.: HCS for HB 2349
Subject: Taxation and Revenue - General; Department of Revenue; Taxation and Revenue - Income; Tax Credits; Domestic Relations; Housing; Charities; Victims of Crime
Type: Original
Date: March 5, 2020

Bill Summary: This proposal modifies provisions relating to a tax credit for contributions to domestic violence shelters.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	Up to (\$200,000)	Up to (\$200,000)	Up to (\$200,000)
Total Estimated Net Effect on General Revenue	Up to (\$200,000)	Up to (\$200,000)	Up to (\$200,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
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 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
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 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Department of Revenue (DOR)** state currently, a taxpayer shall be allowed to claim a tax credit against the taxpayer's state tax liability, in an amount equal to fifty percent (50%) of the amount such taxpayer contributed to a shelter for victims of domestic violence. No taxpayer is allowed to claim more than \$50,000 and the total cumulative cap on the program is two million (\$2,000,000) annually.

DOR notes the current tax credit program has issued the following amount of credits:

Fiscal Year 2015	\$1,426,180
Fiscal Year 2016	\$1,892,974
Fiscal Year 2017	\$1,611,058
Fiscal Year 2018	\$1,871,245
Fiscal Year 2019	\$1,852,801

This proposal expands the existing program to allow a nonprofit organization established and operating for the purpose of a shelter for victims of domestic violence and are operated by the state or a political subdivision to also receive this credit. This could potentially expand the number of taxpayers that could claim the tax credit. However, since the tax credit cap is not changed, this will not have any additional fiscal impact.

Oversight assumes the inclusion of non-profit organizations established and operating for the purpose of supporting a shelter for victims of domestic violence and are operated by the state or a local political subdivision in the definition of “shelter for victims of domestic violence” to receive tax credits, as stated by DOR, is to the effect that such entities would be allocated a specific amount of tax credits permitted to be awarded to the donors to such entity; not to the effect that such entities would claim the tax credits themselves.

Officials from the **University of Missouri’s Economic & Policy Analysis Research Center (EPARC)** state, if enacted, this bill would extend the definition of “Shelter for Victims of Domestic Violence” to include “ a nonprofit organization established and operating exclusively for the purpose of supporting a shelter for victims of domestic violence operated by the state or one of its political subdivisions.”

Under these new conditions, EPARC cannot be sure of the exact change in the demand for these credits, but EPARC measured the potential maximum impact. EPARC did this by forecasting the credit redemptions through Fiscal Year 2023 under the current conditions, then subtracted the figures from the current \$2 million cap.

ASSUMPTION (continued)

The following table shows the results of EPARC’s analysis; forecasted Domestic Violence Tax Credits for Fiscal Year 2021 through Fiscal Year 2023 and the remaining amount of Domestic Violence Tax Credits under the \$2 million cap.

Fiscal Year	Domestic Violence Tax Credit Redemption Forecast	Cap	Under the Cap
2021	\$1,502,798	\$2,000,000	\$497,202
2022	\$1,573,300	\$2,000,000	\$426,700
2023	\$1,643,803	\$2,000,000	\$356,197

EPARC estimates this proposed legislation could decrease Net General Revenue (GR) by \$497,202 in Fiscal Year 2021, by \$426,700 in Fiscal Year 2022 and by \$356,197 in Fiscal Year 2023.

Oversight notes EPARC has estimated/forecasted the redemptions for Fiscal Year(s) 2021 through 2023 and calculated the difference between the estimated/forecasted redemption amounts to the cap of \$2 million. Oversight notes the estimated decrease in GR is a result of the potential increase in participation/utilization of the Domestic Violence Tax Credit.

Oversight notes the **Missouri Department of Social Services** has stated the proposed legislation would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for this organization.

Oversight notes, per the Tax Credit Analysis Form, for the Shelter for Victims of Domestic Violence Tax Credit, the following activity has been recognized:

	FY 2017 ACTUAL	FY 2018 ACTUAL	FY 2019 ACTUAL	FY 2020 (est.)	FY 2021 (Budget Year - est.)
Certificates Issued (#)	2364	2403	2035	2450	2450
Projects (#)	N/A	N/A	N/A	N/A	N/A
Amount Authorized	\$1,611,058	\$1,871,245	\$1,752,801	\$1,800,000	\$1,800,000
Amount Issued	\$1,611,058	\$1,871,245	\$1,852,801	\$1,800,000	\$1,800,000
Amount Redeemed	\$1,476,638	\$1,510,572	\$883,099	\$1,300,000	\$1,300,000

ASSUMPTION (continued)

Oversight notes the average tax credit issuance total for the past three years is \$1,778,368. Oversight also notes in Fiscal Year 2020, \$1,800,000 is projected to be issued in Domestic Violence Shelter Tax Credit(s).

Oversight notes this proposed legislation expands the definition of “shelter for victims of domestic violence” to include a non-profit organization established and operating exclusively for the purpose of supporting a shelter for victims of domestic violence operated by the state or one of its political subdivisions. Oversight assumes the expansion of the definition of shelter for victims of domestic violence expands and increases the number of entities that are permitted to award Domestic Violence Shelter Tax Credits to donors. Oversight assumes the increase in the number of entities that are permitted to award such tax credits could increase the participation in the tax credit program.

Therefore, for purposes of this fiscal note, Oversight will report a revenue reduction by an amount equal to “Up to \$200,000” beginning in Fiscal Year 2021 as a result of the potential increased utilization of the tax credit following the expansion the definition of “Shelter for Victims of Domestic Violence” (current \$2 million cap less Fiscal Year 2021 estimated issuances of \$1.8 million).

Oversight only reflects the responses that we have received from state agencies; however, other state agencies were requested to respond to this proposed legislation but did not.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE FUND			
<u>Revenue Reduction</u> - Section 135.550 - Increase in Domestic Violence Shelter Tax Credit Cap	Up to <u>(\$200,000)</u>	Up to <u>(\$200,000)</u>	Up to <u>(\$200,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>Up to</u> <u>(\$200,000)</u>	<u>Up to</u> <u>(\$200,000)</u>	<u>Up to</u> <u>(\$200,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposed legislation could impact any small business that would qualify for the Domestic Violence Shelter Tax Credit as a result of the expansion of the definition of "Shelter for Victims of Domestic Violence," as they could reduce their state tax liability, netting additional profit. (Section 135.550).

FISCAL DESCRIPTION

Currently, a tax credit is authorized for contributions to domestic violence shelters. This bill modifies the definition of "shelter for victims of domestic violence" to include nonprofit organizations established and operating exclusively for the purpose of supporting a shelter for victims of domestic violence operated by the state or one of its political subdivisions.

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

Missouri Department of Revenue
University of Missouri's Economic & Policy Analysis Research Center
Missouri Department of Social Services



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Director
March 5, 2020



Ross Strobe
Assistant Director
March 5, 2020