

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1220H.01I
Bill No.: HB 425
Subject: Taxation and Revenue - General; Tax Credits; Tax Incentives; Domestic Relations; Housing
Type: Original
Date: April 6, 2021

Bill Summary: This proposal would authorize tax credits for developing or renting housing for victims of domestic violence.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue Fund*	(\$54,728)	Could exceed (\$440,232)	Could exceed (\$421,240)
Total Estimated Net Effect on General Revenue	(\$54,728)	Could exceed (\$440,232)	Could exceed (\$421,240)

*Oversight notes the two new tax credits created in this proposal do not have annual limits. Oversight assumes the \$250,000 annual threshold (for Fiscal Review) would be reached.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue – DOR	0 FTE	2 FTE	2 FTE
General Revenue – DSS	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	3 FTE	3 FTE

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 135.550 – Shelter for Victims of Domestic Violence Tax Credit

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this proposed legislation would expand the Shelter for Victims of Domestic Violence Tax Credit Program. For all tax years beginning on or after January 1, 2022, in addition to other tax credits authorized under this section, a taxpayer shall be allowed to claim a credit equal to \$1,000 if the taxpayer has converted abandoned property into a shelter for victims of domestic violence or a credit equal to \$500 if the taxpayer has rented residential real estate to a victim of domestic violence.

The cumulative amount of tax credits for the Shelter for Victims of Domestic Violence remains at \$2 million; but these credits are separate from that cap. The three-year average authorizations for the Shelter for Victims of Domestic Violence credit is \$1,827,404. B&P does not have any data on how these changes might impact abandoned properties or residential real estate but assumes new redemptions may be similar to current levels of authorizations. Therefore, Total State Revenue (TSR) may decrease by an amount up to \$1,827,404.

The proposal could impact the calculation under Article X, Section 18(e).

Officials from the **Missouri Department of Revenue (DOR)** state, currently, a taxpayer is 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 dollars (\$2,000,000) annually.

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

Year	Issued
FY 2020	\$1,858,165.23
FY 2019	\$752,800.86
FY 2018	\$1,881,995.47
FY 2017	\$1,611,058.21
FY 2016	\$1,892,974.11
FY 2015	\$1,426,180.09
FY 2014	\$1,256,761.49
FY 2013	\$1,075,861.66
FY 2012	\$1,088,440.04
TOTALS	\$12,844,237.16

This proposed legislation appears to make no change to the original Shelters for Victims of Domestic Violence Tax Credit which has a \$2 million annual cap. However, this proposed legislation appears to add two (2) additional Domestic Violence Tax Credits under this section of statute.

The first new credit allows a taxpayer to claim a \$1,000 credit if they convert abandoned property into an operational shelter for victims of domestic violence. This new credit does not have an annual cap. DOR assumes it could exceed \$100,000 annually.

The second new credit allows a taxpayer a \$500 credit if the taxpayer has rented residential real estate to a victim of domestic violence. This new credit does not have an annual cap. DOR assumes it could exceed \$100,000 annually.

These two (2) new tax credits begin on January 1, 2022 and therefore, the first returns with these credits will be claimed starting January 1, 2023 (Fiscal Year 2023).

Fiscal Year	Loss to General Revenue
2022	\$0
2023	(Could exceed \$200,000)
2024	(Could exceed \$200,000)

If it is the intention that these new credits be under the original \$2 million annual cap then clarifying language would need to be added to this proposed legislation. If that were to happen, it would be estimated, at that time, to have no additional impact on DOR.

DOR anticipates the need for one (1) FTE Associate Customer Service Representative for every 6,000 tax credits redeemed, one (1) FTE Associate Customer Service Representative for every 7,600 errors/correspondence generated, and additional equipment and expense for a one-time cost of \$2,000 for forms and programming updates.

For purposes of this fiscal note, **Oversight** will include DOR's administrative cost(s) as reported by DOR.

However, **Oversight** notes the first tax year in which taxpayers would qualify for the new/expanded tax credit(s) is Tax Year 2022. Oversight notes individuals would not file their Tax Year 2022 tax returns until after January 1, 2023 (6 months after the beginning of Fiscal Year 2023). Therefore, Oversight will report DOR's administrative cost(s) beginning in Fiscal Year 2023 assuming DOR can hire and train such FTE(s) within the first six (6) months of Fiscal Year 2023; before Tax Year 2022 tax returns would begin to be filed claiming the new/expanded tax credits.

Officials from the **Missouri Department of Social Services (DSS)** state this proposed legislation allows a tax credit of \$1,000 for a taxpayer who converts an abandoned property to a shelter for victims of domestic violence. The definition of shelter is provided in Sections 455.200 and 455.220. DSS does not anticipate a large number of credits under this section.

DSS states this proposed legislation allows a tax credit of \$500 for landlords who rent to victims of domestic violence. This provision will require administrative work by the DSS, including verifying the landlord tax credit. To meet this processing need, DSS will require one (1) FTE Administrative Support Professional.

For purposes of this fiscal note, **Oversight** will include DSS's administrative cost(s), as reported by DSS.

Oversight notes this proposed legislation expands the existing Shelter for Victims of Domestic Violence Tax Credit by creating two (2) new provisions in which tax credits may be qualified for.

The expansion to the Shelter for Victims of Domestic Violence Tax Credit program creates a provision that would, for all tax years beginning on or after January 1, 2022, allow a taxpayer to claim a tax credit, equal to one thousand dollars (\$1,000) if such taxpayer has converted an abandoned property, as defined under Section 447.700, into an operational shelter for victims of domestic violence in the tax year for which the credit is sought.

Oversight notes, under Section 447.700, “Abandoned Property” is defined as “real property previously used for, or which has the potential to be used for, commercial or industrial purposes which reverted to the ownership of the state, a county, or municipal government, or an agency thereof, through donation, purchase, tax delinquency, foreclosure, default or settlement, including conveyance by deed in lieu of foreclosure; or a privately owned property endorsed by the city or county if the property is not in a city, for inclusion in the program which will be transferred to a person other than the potentially responsible party as defined under Chapter 260 and has been vacant for a period of not less than three years from the time an application is made to the Department of Economic Development”.

Oversight notes this proposed legislation specifically limits the cumulative amount of tax credit authorization(s) for the existing provisions of the Shelter for Victims of Domestic Violence Tax Credit program (contributions to a shelter for victims of domestic violence) at two million dollars (\$2,000,000) annually (which is the existing cumulative cap and is unchanged by this proposed legislation).

Oversight assumes, since this proposed legislation specifically limits the cumulative amount of tax credit authorizations for the existing provisions of the Shelter for Victims of Domestic Violence Tax Credit program, and since there is no cumulative cap placed on the new/expanded provision(s) of the Shelter for Victims of Domestic Violence Tax Credit program, that there is no annual cap/limit on the amount of tax credit authorizations, issuances, or redemptions for the new tax credit equal to \$1,000 for taxpayers who convert an abandoned property into an operational shelter for victims of domestic violence.

The expansion to the Shelter for Victims of Domestic Violence Tax Credit program also creates a provision that would, for all tax years beginning on or after January 1, 2022, allow a taxpayer to claim a tax credit, equal to five hundred dollars (\$500) if such taxpayer has rented residential real estate to a victim of domestic violence in the tax year for which the credit is sought.

Oversight notes this proposed legislation specifically limits the cumulative amount of tax credit authorizations for the existing provisions of the Shelter for Victims of Domestic Violence Tax Credit program (contributions to a shelter for victims of domestic violence) at two million dollars (\$2,000,000) annually (which is the existing cumulative cap and is unchanged by this proposed legislation).

Oversight assumes, since this proposed legislation specifically limits the cumulative amount of tax credit authorizations for the existing provisions of the Shelter for Victims of Domestic Violence Tax Credit program, and since there is no cumulative cap placed on the new/expanded provision(s) of the Shelter for Victims of Domestic Violence Tax Credit, that there is no annual cap/limit on the amount of tax credit authorizations, issuances, or redemptions for the new tax credit equal to \$500 for taxpayers who rent residential real estate to a victim of domestic violence.

Oversight notes the two (2) new/expanded tax credit provisions that may be claimed under the Shelter for Victims of Domestic Violence Tax Credit program are limited to a taxpayer's state tax liability. Should any amount of the new/expanded tax credits exceed the taxpayer's state tax liability in the tax year the credits are claimed, the excess amount may be carried forward to the next four (4) succeeding taxable years.

Oversight is unable to determine how many individuals will convert an abandoned property into a shelter for victims of domestic violence.

Oversight assumes, though, for each taxpayer that converts an abandoned property into a shelter for victims of domestic violence, such taxpayer will receive one (1) tax credit, in the tax year for which the property was converted into a shelter for victims of domestic violence, equal to one thousand dollars (\$1,000).

Oversight is unable to determine how many individuals rent/will rent to victims of domestic violence.

Oversight notes, though, that the proposed legislation is unclear as to whether or not a taxpayer that rents residential real estate to a victim of domestic violence will receive a tax credit equal to five hundred dollars (\$500) each tax year such taxpayer rents to such individual(s).

Oversight assumes, as written, this proposed legislation could allow for taxpayer who rents residential property to a victim of domestic violence to receive a tax credit equal to five hundred dollars (\$500) each year such taxpayer rents to such individual(s).

For purposes of this fiscal note, since the actual and true impact of the two (2) new provisions created under the Shelter for Victims of Domestic Violence Tax Credit program cannot be determined, Oversight will report a revenue reduction to GR equal to an unknown amount.

Oversight notes the new/expanded provisions of the Shelter for Victims of Domestic Violence Tax Credit would begin for all tax years beginning on or after January 1, 2022. Oversight notes individuals will not file Tax Year 2022 tax returns until after January 1, 2023 (Fiscal Year 2023). Therefore, Oversight will report the aforementioned impact beginning in Fiscal Year 2023.

Oversight assumes 251 $((\$250,000 / \$1,000) + 1)$ abandoned properties would be required to be converted into a shelter for victims of domestic violence for this specific provision of the expanded Shelter for Victims of Domestic Violence Tax Credit program to cause a reduction to GR in excess of two hundred fifty thousand dollars (\$250,000).

Oversight does not anticipate that 251 abandoned properties will be converted into a shelter for victims of domestic violence in any one fiscal year.

Oversight assumes 501 ($(\$250,000 / \$500 + 1)$) taxpayers would be required to rent residential real estate to victims of domestic violence for this specific provision of the expanded Shelter for Victims of Domestic Violence Tax Credit program to cause a reduction to GR in excess of two hundred fifty thousand dollars (\$250,000).

Oversight notes, per information published by the [Missouri State Highway Patrol](#), there were the following number of domestic violence incidents per year:

Year	Number of Incidents
2007	37,308
2008	34,358
2009	37,042
2010	41,526
2011	40,613
2012	41,494
2013	40,014
2014	40,340
Total Number of Domestic Violence Incidents	312,695
*Oversight assumes some reported incidents could include incidents of the same individual(s)	

Based on the information above, **Oversight** assumes there could be more than 501 individuals of domestic violence in which taxpayers will rent residential property to.

Therefore, and as a result of the combination of the two (2) new/expanded provisions of the Shelter for Victims of Domestic Violence Tax Credit program, Oversight assumes this proposed legislation could result in a reduction to GR in excess of two hundred fifty thousand dollars (\$250,000) in any given fiscal year.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. 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 SOS for administrative rules is less than \$5,000. They recognize that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize 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 they can sustain within their core budget. Therefore, they reserve 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.

Officials from the **Joint Committee on Administrative Rules** assume this proposed legislation will not cause a fiscal impact beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules from this proposed legislation with existing resources.

Officials from the **Missouri Department of Commerce and Insurance** do not anticipate this proposed legislation will cause a fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for this organization.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Revenue Reduction – Section 135.550.9 – Tax Credit For Conversion Of Abandoned Property Into Shelter For Victims Of Domestic Violence – p. 7</u>	\$0	(Unknown)	(Unknown)
<u>Revenue Reduction – Section 135.550.10 – Tax Credit For Renting Residential Property To Victims Of Domestic Violence – p. 7 & 8</u>	\$0	(Unknown – could exceed \$250,000)	(Unknown – could exceed \$250,000)
<u>Cost – DOR – Section 135.550 – p. 5</u>			
Personnel Services	\$0	(\$49,207)	(\$49,699)
Fringe Benefits	\$0	(\$40,487)	(\$40,653)
Equipment & Expense	\$0	(\$21,422)	(\$1,007)
Total Cost – DOR	\$0	(\$111,116)	(\$91,359)
FTE Change – DOR	0 FTE	2 FTE	2 FTE
<u>Cost – DSS – Section 135.550 – p. 5</u>			
Personnel Services	(\$21,654)	(\$43,081)	(\$43,511)
Fringe Benefits	(\$18,770)	(\$28,316)	(\$28,459)
Equipment & Expense	(\$14,304)	(\$7,719)	(\$7,911)
Total Cost – DSS	(\$54,728)	(\$79,116)	(\$79,881)
FTE Change – DSS	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$54,728)</u>	<u>Could exceed (\$440,232)</u>	<u>Could exceed (\$421,240)</u>

<u>FISCAL IMPACT –</u> <u>Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

This proposed legislation could positively impact any small business that qualifies for either of the two (2) new provisions/tax credits as such small business could reduce or eliminate such small business's tax liability.

FISCAL DESCRIPTION

Beginning on January 1, 2022, this bill provides that a taxpayer will be allowed to claim a tax credit against their state tax liability in an amount equal to \$1000 if the taxpayer has converted abandoned property into an operational shelter for victims of domestic violence.

Additionally, the bill provides that a taxpayer will be allowed to claim a tax credit against their state tax liability in an amount equal to \$500 if the taxpayer has rented residential real estate to a victim of domestic violence.

The Department of Social Services and the Department of Revenue may jointly establish rules and regulations for the administration of this bill.

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

Office of Administration – Budget & Planning Division

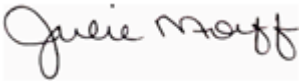
Missouri Department of Commerce and Insurance

Missouri Department of Revenue

Missouri Department of Social Services

Missouri Secretary of State's Office

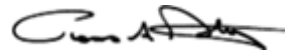
Joint Committee on Administrative Rules



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April 6, 2021



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April 6, 2021