

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3276H.011
 Bill No.: HB 1730
 Subject: Tax Credits; Taxation and Revenue - General; Department of Revenue; Food; Charities
 Type: Original
 Date: February 16, 2024

Bill Summary: This proposal modifies provisions related to the Food Pantry Tax credit.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2028)
General Revenue Fund*	Up to (\$1,250,000)	Up to (\$1,250,000)	Up to (\$1,250,000)	Up to (\$3,000,000)
Total Estimated Net Effect on General Revenue	Up to (\$1,250,000)	Up to (\$1,250,000)	Up to (\$1,250,000)	Up to (\$3,000,000)

* Oversight reflects the increase in the program cap for FY 2025 and FY 2026 from \$1.75 million to \$3 million. Additionally, Oversight reflects the full cap of \$3 million in FY 2028 from the extension of the sunset date (from December 31, 2026 to December 31, 2030).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2028)
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2028)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2028)
Total Estimated Net Effect on FTE	0	0	0	\$0

- 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 2025	FY 2026	FY 2027	Fully Implemented (FY 2028)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration – Budget & Planning (B&P)** note:

This proposal would increase the annual limit for the food pantry tax credit from \$1,750,000 to \$3,000,000. B&P notes that this proposal would become effective August 28, 2024. Therefore, B&P assumes that the increase cap would begin in FY25, for tax year 2024. This proposal would also increase the sunset date from 2026 to 2030.

B&P notes that redemptions for the past three fiscal years (FY21 through FY23) have been at the annual limit. Therefore, B&P estimates that this proposal may decrease TSR and GR by \$1.3 million annually beginning in FY25.

Officials from the **Department of Revenue (DOR)** note:

Starting August 28, 2024, this proposal will increase the cap on the food pantry tax credit. Currently the cap is set at \$1,750,000 and it will increase to \$3,000,000. This will be a loss to general revenue of \$1.25 million starting in FY 2025, the year in which the tax credits will be claimed.

This proposal also extends the sunset on the tax credit another year to 2030.

For informational purposes, the Department notes the Food Pantry tax credit program was created in 2007 and it had a sunset. In 2013, the sunset was extended, and the cap was lowered to \$1,250,000. Then in 2014, the cap was increased to its current \$1,750,000. In 2018, the sunset was extended until 2026. This is an apportioned credit and it has been hitting its current cap the last several years. Below is information on the authorization, issuance and redemption of the credits over the last few years.

Year	Issued	Total Redeemed
FY 2023	\$1,749,990.00	\$1,749,990.00
FY 2022	\$1,749,992.00	\$1,749,992.00
FY 2021	\$1,749,992.00	\$1,749,992.00
FY 2020	\$1,131,882.00	\$1,131,882.00
FY 2019	\$1,380,894.00	\$1,380,894.00
FY 2018	\$1,679,924.00	\$1,679,924.00
FY 2017	\$1,584,566.00	\$1,584,566.00
FY 2016	\$1,155,480.00	\$1,155,480.00
FY 2015	\$1,118,866.00	\$1,118,866.00
FY 2014	\$840,234.00	\$840,234.00
FY 2013	\$72,822.00	\$72,822.00
FY 2012	\$796,156.10	\$796,156.10
TOTALS	\$15,010,798.10	\$15,010,798.10

Since this is an existing credit, DOR already has the forms in place. DOR will need to update the computer program which is estimated at \$1,785.

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process. Therefore, Oversight will reflect a zero administrative impact in the fiscal note for DOR.

Oversight shows the DOR data regarding the Food Pantry Tax Credit FY 2020 to 2022 below:

	FY 2020 ACTUAL	FY 2021 ACTUAL	FY 2022 ACTUAL
Certificates Issued (#)	0	0	0
Projects (#)	1,493	3,183	3,195
Amount Authorized	\$0	\$0	\$0
Amount Issued	\$0	\$0	\$0
Amount Redeemed	\$1,131,882	\$1,749,992	\$1,749,992

Form 14.

Oversight notes this tax credit allows local food pantry or local soup kitchen to receive donations from various taxpayers.

Oversight notes the taxpayer is allowed a tax credit in an amount equal to fifty percent of the value of the donations made to the extent such amounts that have been subtracted from federal adjusted gross income or federal taxable income are added back, in the determination of Missouri adjusted gross income, or Missouri taxable income before the credit can be claimed.

Oversight notes the proposal, Section 135.647.3, allows for an increase in the Food Pantry Tax Credit authorization cap for up to \$3,000,000 (from current \$1,750,000) annually.

Oversight notes this section currently allows this tax credit to sunset as of December 31, 2026; however, this proposal extends it to December 31, 2030 (FY 2031). Therefore, **Oversight** will reflect the potential full impact of the tax credit cap in FY 2028 (\$3 million) in continuous costs to the general revenue.

Oversight notes the greatest amount of redemption of tax credits were in last two years and total \$1,750,000 (rounded to nearest dollar) in both years. Therefore, Oversight will reflect potential impact of up to \$1,250,000 in the fiscal note as of FY 2025.

Oversight notes the proposal allows for the change effective August 28, 2024, Therefore, Oversight assumes the actual change will occur in FY 2025 (when the taxpayer files the actual income tax and claiming the tax credit as soon as FY 2025).

Officials from the **Oversight Division** are responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, **Oversight** can absorb the cost with the current budget authority.

Rule Promulgation

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

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. 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 its 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.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2028)
GENERAL REVENUE				

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2028)
Revenue Loss - Section 135.647 Food Pantry Tax Credit (p.4)	<u>Up to</u> (\$1,250,000)	<u>Up to</u> (\$1,250,000)	<u>Up to</u> (\$1,250,000)	<u>Up to</u> (\$3,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>Up to</u> (\$1,250,000)	<u>Up to</u> (\$1,250,000)	<u>Up to</u> (\$1,250,000)	<u>Up to</u> (\$3,000,000)

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2028)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

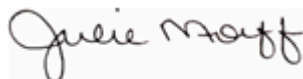
FISCAL DESCRIPTION

Currently, the cumulative amount of tax credits which may be allocated to all taxpayers contributing to a local food pantry is \$1.75 million. This increases the amount to \$3 million and extends the sunset from December 31, 2026 to December 31, 2030.

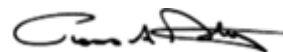
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
 Office of Administration – Budget & Planning
 Oversight Division
 Office of the Secretary of State
 Joint Committee on Administrative Rules



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 Director
 February 16, 2024



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 February 16, 2024