COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4638H.01I
Bill No.: HB 2319
Subject: Tax Credits; Taxation and Revenue - Income; Taxation and Revenue - General; Department of Revenue; State Departments
Type: Original
Date: January 30, 2024

Bill Summary: This proposal modifies provisions relating to tax credits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue Fund*/**	Up to ($862,336)	Could exceed $11,221,478	Could exceed $12,394,699
Total Estimated Net Effect on General Revenue	**Up to ($862,336)**	**Could exceed $11,221,478**	**Could exceed $12,394,699**

*Oversight notes the impact to general revenue is the costs for the DED, DOR, MDA, DPS-DO, and DSS combined 9 FTE and a savings for the inclusion of a cap on the tax credit amount allowed for Section 143.177 (MO Working Family Tax Credit) which is lower than anticipated redemptions.
**Oversight notes that the proposal added sunset language which could result in potential savings to the general revenue beyond December 31, 2030, if the provisions are allowed to sunset.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

*The Port Authority Aim Zone fund net to zero.
Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on All Federal Funds			

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue Fund – DPS - DO	1 FTE	1 FTE	1 FTE
General Revenue Fund – DSS	2 FTE	2 FTE	2 FTE
General Revenue Fund – MDA	2 FTE	2 FTE	2 FTE
General Revenue Fund - DOR	Up to 3 FTE	Up to 3 FTE	Up to 3 FTE
General Revenue Fund – DED	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	**Up to 9 FTE**	**Up to 9 FTE**	**Up to 9 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 2025	FY 2026	FY 2027
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Section 32.105 - 32.125 Neighborhood Assistance (NAP), Affordable Housing Assistance (NAP), and Development Tax Credit (AHAP)

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

Sections 32.100 to 32.125 create three tax credit programs. The Affordable Housing tax credit (AHAP) which has 2 caps, one of $10 million and the other of $1 million. The Neighborhood Assistance tax credit which has a $16 million cap and the Development tax credit program that had a $6 million cap but was stopped on August 28, 2013, by the creation of the MO Works tax credit program (Section 620.2020.14).

This proposal adds a sunset clause to Section 32.125 which would impact these programs. There is no fiscal impact from adding the sunset clause to these credits. However, should these programs actually be allowed to be sunset in the future, it would result in a savings to the State of up to the $27 million annual caps on the AHAP and Neighborhood Assistance programs.

For informational purposes only, DOR is providing the history of the authorizations, issuances and redemptions of each of these credits.

Affordable Housing Tax Credit

Year	Authorized	Issued	Total Redeemed
FY 2023	$8,932,400.00	$4,174,401.00	$8,716,793.00
FY 2022	$4,835,176.00	$10,482,025.00	$3,619,925.08
FY 2021	978,796.00	$3,592,427.00	$4,119,705.33
FY 2020	$10,971,408.00	$4,510,701.00	$4,025,790.93
FY 2019	$4,253,693.00	$3,308,659.00	$5,001,344.36
FY 2018	$4,676,726.00	$6,145,103.00	$4,752,091.61
FY 2017	$10,347,442.00	$7,386,034.00	$10,172,299.92
FY 2016	$10,988,370.00	$13,171,092.00	$8,484,672.81
FY 2015	$10,901,753.00	$8,717,177.00	$3,358,807.75
FY 2014	$8,197,923.00	$4,844,279.00	$5,620,749.73
FY 2013	$6,495,974.00	$4,967,887.00	$7,406,987.96
FY 2012	$4,871,580.00	$5,990,591.00	$5,629,465.92
TOTALS	$86,451,241.00	$77,290,376.00	$70,908,634.40

Neighborhood Assistance Tax Credit

Year	Authorized	Issued	Total Redeemed
FY 2023	$15,028,834.00	$12,330,085.00	$9,107,306.80
FY 2022	$12,673,134.00	$11,113,005.75	$8,067,445.14
FY 2021	$11,924,548.00	$9,048,913.00	$8,623,742.15
FY 2020	$13,890,324.00	$8,703,761.00	$9,471,230.74
FY 2019	$15,035,823.00	$10,377,614.00	$8,947,215.78
FY 2018	$14,981,906.00	$12,367,630.00	$10,922,806.90
FY 2017	$14,041,962.00	$14,490,650.00	$14,831,654.53
FY 2016	$13,553,852.00	$13,761,480.00	$10,318,970.97
FY 2015	$15,974,536.00	$11,435,785.00	$8,230,285.75
FY 2014	$11,513,379.00	$9,640,126.00	$10,848,983.24
FY 2013	$14,996,900.00	$10,144,225.00	$7,392,112.96
FY 2012	$11,577,412.00	$8,493,103.00	$9,757,094.83
TOTALS	$165,192,610.00	$131,906,377.75	$116,518,849.79

Development Tax Credit

Since this program was eliminated with the creation of the MO Works Tax Credit program, this has not had any authorizations or issuances.

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

This proposal would add a sunset clause to the AHAP, NAP, and Development tax credits. B&P notes that the Development tax credit was closed during the creation of MO Works. The three-year average redemptions for AHAP were $5,485,475 and for NAP they were $8,599,528 in FY21-FY23. Therefore, B&P estimates that if the credits are allowed to sunset, this could increase GR by $14,085,003 ($5,485,475 + $8,599,528) annually.

Oversight notes the Neighborhood Assistance Program (NAP) provides assistance to community-based organizations that enable them to implement community or neighborhood projects in the areas of community service, education, crime prevention, job training and physical revitalization. Applications are reviewed on a competitive basis and awards made to nonprofits or Missouri businesses for 50% or 70% of the approved budget. The maximum cap for this program is $16 million.

Oversight provide last three years of the redemption history below:

	FY 2021 ACTUAL	**FY 2022 ACTUAL**	**FY 2023 ACTUAL**
Certificates Issued (#)	1,240	1,371	1,387
Projects/Participants (#)	67	65	71

Amount Authorized	$11,924,548	$12,673,134	$15,028,834
Amount Issued	$9,048,913	$11,113,006	$12,330,085
Amount Redeemed	$8,623,742	$8,067,535	$9,107,307

Oversight notes that the average throughout the last 12 years is $9,709,904. Therefore, if the credits are allowed to sunset, it could increase general revenue ranging from the above amount up to the maximum cap of $16 million.

Oversight notes the Affordable Housing tax credit program is a two-part credit with an $11 million combined cap. The first part of the credit is for businesses that are making contributions to affordable housing. This part of the credit is limited to $10 million of the cap. The second part of the credit is for businesses that make contributions to neighborhood organizations and this part of the credit is limited to $1 million of the cap.

The amount of Affordable Housing Assistance Program Tax Credit allocated is equal to 55% of the amount of contribution. Non-profit organizations make application to the Missouri Housing Development Commission (MHDC) for a reservation of AHAP credit. The non-profit organization then solicits contributions from businesses or qualified individuals to assist in the production of a specific affordable housing development. After MHDC receives the necessary documentation of a qualified contribution to the non-profit organization that meets all the criteria set out in the statute and program regulations, a tax credit is issued to the donor in the amount of 55% of the value of the contribution. Applications for production credits are accepted continuously, and applications for the operating credit set-aside are accepted twice a year.

Oversight showing last three years history of redemption below:

	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual
Certificates Issued (#)	127	298	203
Projects/Participants (#)	38	48	44
Amount Authorized	$9,787,696	$4,835,176	$8,932,400
Amount Issued	$3,592,427	$10,482,025	$4,174,401
Amount Redeemed	$4,119,706	$3,619,925	$8,716,793

Oversight notes the average redemption for this tax credit was $5,909,053; therefore, if the credits are allowed to sunset, it could increase general revenue ranging from the above provided amount up to the maximum cap of $16 million.

Oversight notes the average redemption between FY 2021 to FY 2023 was $5,485,475. This proposal allows the program to sunset; previously not have a definite date of expiration, as of December 31, 2030.

Oversight notes that Development Tax Credit (equal to 505 contribution) a donations must be made to a non-profit corporation; specified number of jobs must be created within 2 years and maintained for 5 years; application must have the local agency's endorsement; project must be located in a distressed or blighted area; and, the benefiting business must be a for-profit business. No new projects may be proposed after August 27. 2013.

Oversight notes this tax credit was replaced by MO Works Tax Credit and is no longer applicable; therefore, reflect zero impact in the fiscal note for this section.

Section 68.075 Advanced Industrial Manufacturing Zone (AIM Zone)

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

This section is the AIM Zone program that allows ports to establish a zone in which they get to retain the withholding tax of the new jobs created in the zone and use the money to build infrastructure. This proposal adds a formula for setting a cap on this program starting January 1, 2025. The cap is to be 20% higher than the highest amount redeemed from FY 2018 to FY 2024. However, this program cap is on the tax credit allowed and this program is a withholding tax retention program.

DOR notes there are no active AIM Zones currently. DOR assume this language will not have a fiscal impact.

Oversight notes, under current law, no new Advanced Industrial Manufacturing Zone (AIM Zone) may be established after December 31, 2030.

An AIM Zone is an area identified through resolution passed by the Port Authority Board of Commissioners that is being developed or redeveloped for any purposes so long as any infrastructure and/or building built or improved is in the development area.

Any port authority located in this state may establish an AIM Zone.

Oversight notes fifty percent (50%) of the state tax withholdings imposed under Section(s) 143.191 to 143.265 on qualifying new job(s) created within an AIM Zone after development or redevelopment has commenced shall be deposited into Port Authority AIM Zone Fund in lieu of General Revenue (GR). In addition, the Port Authority AIM Zone Fund may receive appropriation from the General Assembly to be used for the administration of this program which is limited to no more than ten percent (10%) of the total amount deposited from withholding taxes on new jobs with an AIM Zone.

The Missouri State Treasurer is to disburse the funds held in the Port Authority AIM Zone Fund to port authorities.

The funds disbursed to port authorities are to be used for expansion, develop and redevelop of AIM Zones, managerial expenses, engineering, legal expenses, research, promotion expenses, planning, satisfaction of bonds, and any other expenses.

AIM Zone	Date of Adoption
Port KC AIM Zone 1 - Richards Gebaur	10/17/2016
Port KC AIM Zone 2 - Northland Park	10/17/2016
Port KC AIM Zone 3 - Berkley Riverfront	12/18/2017
Port KC AIM Zone 4	10/28/2019
Hazelwood AIM Zone	3/13/2018
St. Louis Port District AIM Zone	6/13/2017
Lemay AIM Zone	7/11/2017
Former Jamestown Mall AIM Zone	10/10/2017
Kimmswick AIM Zone	9/14/2016

Per SB 5 – 2021 – Fiscal Note

Oversight notes following activity as of June 30, 2023:

Oversight notes that according to FY2025 DOR Budget Request annotates the Chapter 68 RSMo requires the Department of Revenue to deposit fifty percent of the state tax withholdings on new jobs within an Advanced Industrial Manufacturing (AIM) Zone after the development or redevelopment has commenced, into the Port Authority AIM Zone Fund. The Department then, upon request of the Port Authority, distributes funds to the Port Authority for the purpose of continuing to expand, develop, and redevelop the AIM Zone. In Fiscal Year 2022 distributed $500,000 and FY 2023 $255,489.

Oversight assumes this proposal applies a cap to the AIM Zone tax credit; however, this program is a withholding tax retention program. Therefore, Oversight will show a zero fiscal impact for this provision.

Section 100.286 Bond Enhancement Tax Credit

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

This proposal adds a sunset clause to Section 100.286, which would stop the tax credit provision of this section. There is no fiscal impact from adding the sunset clause to a tax credit. However, should the tax credit actually be allowed to be sunset in the future, it would result in a savings to the State of up to the $25 million annually from the current cap on the program.

For informational purposes only, DOR is providing the history of the authorizations, issuances and redemptions of each of these credits.

Year	Authorized	Issued	Total Redeemed
FY 2023	$11,500,000.00	$9,195,015.82	$6,786,698.92
FY 2022	$7,850,000.00	$9,903,206.48	$4,269,565.19
FY 2021	$0.00	$6,513,798.58	$3,750,910.72
FY 2020	$10,752,500.00	$6,626,743.09	$7,675,965.87
FY 2019	$10,250,000.00	$5,904,204.98	$5,529,458.21
FY 2018	$14,060,000.00	$7,297,631.85	$8,129,507.44
FY 2017	$4,600,000.00	$4,985,580.79	$13,949,851.18
FY 2016	$24,241,700.00	$14,826,445.78	$13,094,318.81
FY 2015	$3,158,300.00	$8,711,789.65	$14,792,340.70
FY 2014	$35,842,500.00	$27,698,346.61	$19,474,867.89
FY 2013	$6,557,830.00	$7,029,161.41	$14,804,416.35
FY 2012	$13,313,670.00	$11,091,771.88	$33,444,753.56
TOTALS	$142,126,500.00	$119,783,696.92	$145,702,654.84

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

This proposal would add a sunset clause to the MDFB Infrastructure tax credit. The three-year average redemptions were $4,935,725 in FY21-FY23. Therefore, B&P estimates that if this credit is allowed to sunset, this could increase GR by $4,935,725 annually.

Oversight notes the average redemption under the tax credit from FY 2012 to FY 2023 was $12,141,888. Therefore, if the credits are allowed to sunset, it could result in a savings to general revenue ranging from the above provided amount up to the maximum cap of $25 million after December 2030. For purposes of this fiscal note, Oversight will not show a savings from the sunset provision.

Section 100.297 Missouri Development Finance Board Bond Guarantee Tax Credit

Oversight notes the program provided a tax credit enhancement on behalf of Public Entities for certain bonds. The program was last time used in FY 2007, the Board's bond tax credit as collateral and were only redeemed in the event of default.

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

This proposal adds a sunset clause to Section 100.297, which would stop the tax credit provision of this section. There is no fiscal impact from adding the sunset clause to a tax credit. However, should the tax credit actually be allowed to be sunset in the future, it would result in a savings to the State of up to the annual cap on the program.

It should be noted that this tax credit is only issued when an organization defaults on their bonds. This credit has not issued or authorized any credits in the last 10 years. It is assumed should this credit sunset, it would not actually result in any savings due to the lack of use currently.

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

This proposal would add a sunset clause to the MDFB Bond Guarantee tax credit. B&P notes that there have been no redemptions since FY 2007. Therefore, B&P estimates that this provision will not impact TSR and GR.

Oversight notes B&P and DOR both assume the provision will not impact TSR. Therefore, Oversight will reflect a zero impact in the fiscal note for this provision.

Section 100.850 Business Use Incentive for Large Development Tax Credit (BUILD)

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

This proposal adds a sunset clause to Section 100.850 which would stop the tax credit provision of this section. There is no fiscal impact from adding the sunset clause to a tax credit. However, should the tax credit actually be allowed to be sunset in the future, it would result in a savings to the State of up to the $25 million annually from the current cap on the program.

For informational purposes only, DOR is providing the history of the authorizations, issuances and redemptions of each of these credits.

Year	Authorized	Issued	Total Redeemed
FY 2023	$17,724,336.08	$9,946,806.62	$8,900,471.06
FY 2022	$4,519,976.00	$17,119,484.70	$16,992,824.62
FY 2021	$3,725,609.71	$17,581,613.54	$12,343,210.35
FY 2020	$38,708,086.30	$16,443,339.34	$8,897,698.24
FY 2019	$23,523,150.01	$15,749,740.98	$13,776,255.52
FY 2018	$32,665,260.50	$14,194,083.01	$9,818,473.29
FY 2017	$9,033,352.97	$10,946,789.59	$10,433,122.10
FY 2016	$30,376,756.28	$9,040,815.85	$8,389,892.09
FY 2015	$12,795,004.46	$10,612,876.07	$7,990,466.34
FY 2014	$18,504,991.67	$6,318,995.87	$8,533,926.13
FY 2013	$29,627,546.40	$9,969,516.20	$8,212,532.51
FY 2012	$9,102,892.56	$9,084,677.16	$6,591,947.62
TOTALS	$230,306,962.94	$147,008,738.93	$120,880,819.87

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

This proposal would add a sunset clause to the BUILD tax credit. The three-year average redemptions were $12,745,502 in FY21-FY23. Therefore, B&P estimates that if this credit is allowed to sunset, this could increase GR by $12,745,502 annually.

Oversight notes the average redemption $10,073,402 throughout the FY 2012 to 2023. Therefore, Therefore, if the credits are allowed to sunset, it could increase general revenue ranging from the above provided amount up to the maximum cap $25 million after 2030. For purposes of this fiscal note, Oversight will not show a savings from the sunset provision.

Section 135.090 Peace Officer Surviving Spouse Tax Credit Program

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

This section is the peace officer surviving spouse tax credit program that allows the widow of a peace officer who dies in the line of duty to receive a tax credit equal to the amount of property tax they pay on the home they shared. This proposal adds a formula for setting a cap on this program starting January 1, 2025. The cap is to be 20% higher than the highest amount redeemed from FY 2018 to FY 2024.

The FY 2024 redemptions have not been received by DOR at this time. The FY 2024 redemptions should be filed between Jan 1st – April 15, 2024, for payments made during tax year 2023. It should be noted that a person can receive an extension to file until October 15, 2024, so DOR would be unable to calculate the impact until after that date.

This proposal says the new cap is to begin on January 1, 2025. DOR assumes that this new cap would be applicable to the property tax paid starting December 2025 and being claimed starting January 1, 2026.

Since this proposal starts the new on January 1, 2025, the spouses will have already paid their property tax in December 2024 and still be eligible to receive a credit that would not be subject to the cap.

For informational purposes only, DOR is providing the history of the authorizations, issuances and redemptions of each of these credits.

Year	Total Redeemed
FY 2023	$88,090.00
FY 2022	$62,854.82
FY 2021	$103,170.00
FY 2020	$68,056.00
FY 2019	$113,031.34
FY 2018	$66,086.16

FY 2017	$89,502.00
FY 2016	$117,554.07
FY 2015	$70,940.68
FY 2014	$76,533.00
FY 2013	$78,249.00
FY 2012	$32,793.00
TOTALS	$966,860.07

At this time, DOR notes that the highest redemption from FY 2018 to FY 2023 is $113,031 and if the cap were set at 20% higher than that it would be $135,638. Since this proposal currently does not have a cap then adding one that is higher than the current redemptions would not result in any additional fiscal impact.

It should be noted that the provision of this proposal says the credits are to be issued in the order they are claimed and that the Department of Public Safety (DPS) is to take over as administrator of the program. The DOR assume the Department will need to set up a system by which the spouses apply to DPS for the credit and are awarded a certificate to make sure they stay under the tax credit cap and that the spouses would submit the certificate with their tax return. This will not result in any additional impact to DOR as most credits are processed this way.

Officials from the **Office of Administration - Budget and Planning** note:

This proposal would move the administration of the Surviving Spouse tax credit from DOR to DPS. B&P defers to both agencies on potential administrative costs and impacts.
This proposal would place a cap on the amount of Surviving Spouse credits that may be redeemed each year. The new cap shall be 20% of the highest annual redemption amount between FY18 and FY24. B&P notes that FY24 redemptions are not yet known. B&P will use FY18 through FY23 redemptions to estimate an impact for this provision.

Based on expenditure data, the highest redemption amount was $113,031 in FY19. Therefore, the new credit limit would be $135,637. Because this sets a limit higher than actual redemptions, this provision will not impact TSR.

Officials from the **Department of Public Safety – Director's Office (DPS-DO)** assume the need 1 FTE to coordinate with the different entities to ensure accuracy of paper work prior to certifying.

Officials from the Department of Public Safety – Highway Safety defer to the Department of Public Safety – Director's Office for the potential fiscal impact of this proposal.

Oversight notes Section 135.090.4., states that after the effective date of this section, the department of public safety shall administer the tax credit provided under this section. Therefore, Oversight will note the 1 FTE (Program Specialist at $68,712) in the fiscal note beginning FY 2025.

Oversight notes the average redemption between 2012 -2023 was $80,572.

Oversight assumes this provision adds a formula based cap on the amount of tax credits issued for this program. Oversight assumes current average redemptions are below the new cap; therefore, Oversight will not show an impact from this provision.

<u>Section 135.110 Business Facility Tax Credit Program</u>

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

This is the Business Facility tax credit program that provided a company with incentives to expand an existing facility or to establish a new facility. The Missouri House of Representatives has voted each year since FY 2020 to not allow more than $12 million in tax credits to be authorized annually.

This proposal adds a formula for setting a cap on this program starting January 1, 2025. The cap is to be 20% higher than the highest amount redeemed from FY 2018 to FY 2024.

The FY 2024 redemptions have not been received by DOR at this time. The FY 2024 redemptions should be filed between Jan 1st – April 15, 2024, for payments made during tax year 2023. It should be noted that a person can receive an extension to file until October 15, 2024, so DED would be unable to calculate the impact until after that date.

This proposal says the new cap is to begin on January 1, 2025. DOR assumes that this new cap would be applicable to any new credits authorized as of that date and would not impact state revenue until the credits are claimed starting January 1, 2026.

Year	Issued	Total Redeemed
FY 2023	$0.00	$14,181,033.00
FY 2022	$0.00	$14,833,669.00
FY 2021	$24,959,370.00	$12,345,744.00
FY 2020	$0.00	$7,555,278.00
FY 2019	$9,213,825.00	$8,217,556.00
FY 2018	$8,762,244.00	$6,329,689.00
FY 2017	$8,044,858.00	$4,046,742.00
FY 2016	$4,778,641.00	$4,593,362.00
FY 2015	$4,160,818.00	$4,493,611.28
FY 2014	$6,563,164.00	$6,618,443.21
FY 2013	$5,704,373.00	$4,431,017.94
FY 2012	$4,840,502.00	$4,796,279.38
TOTALS	$77,027,795.00	$92,442,424.81

At this time, DOR notes that the highest redemption from FY 2018 to FY 2023 is $14,833,669 and if the cap were set at 20% higher than that it would be $17,800,403. Since this proposal currently has a House of Representative's self-imposed authorization cap ($12 million) that is lower than the redemption cap being added, this will result in an additional loss to the state of $5,800,403 ($17,800,403 - $12,000,000).

It should be noted that the provision of this proposal says the credits are to be issued in the order they are claimed. DOR notes that only one company in the past has been eligible for this program and assume that DED can make sure they do not issue tax credit certificates higher than the new cap.

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

This proposal would place a cap on the amount of Business Facility credits that may be redeemed each year. The new cap shall be 20% of the highest annual redemption amount between FY18 and FY24. B&P notes that FY24 redemptions are not yet known. B&P will use FY18 through FY23 redemptions to estimate an impact for this provision.

Based on expenditure data, the highest redemption amount was $14,833,669 in FY22. Therefore, the new credit limit would be $17,800,403. Because this sets a limit higher than actual redemptions, this provision will not impact TSR.

Officials from the **Department of Economic Development (DED)** note:
Section 135.110 (Business Facility Headquarters Tax Credit) adds language that adds a cap of 120% of the highest year of tax credits redeemed from FY18 - FY24. Based on previous years, the cap is $17,800,403 ($14,833,669 x 120%).

Oversight notes, for informational purposes, that according to the Kansas City Business Journal article, the Burns & McDonell Company is a 100% employee owned company offering various architectural services. (Source: Kansas City Business Journal).

Oversight notes that the New and Expanded Business Facility Credit program awards credits from $75 to $125 per job (for a new company) and per $100,000 of new investment each year for 10 years. The program has no annual cap. Oversight also notes that if a company meets the requirements and receives the credits, the state could receive some economic benefit (additional workers hired and business capital expenditures); however, Oversight assumes these benefits to be indirect benefits and will not reflect them in the fiscal note.

Oversight assumes this provision adds a formula based cap on the amount of tax credits issued for this program. Oversight assumes current average redemptions are below the new cap; therefore, Oversight will not show an impact from this provision.

Section 135.326 & 135.339 Adoption Tax Credits

Officials from **Department of Revenue** assume this tax credit provides a means of reimbursing adopting parents some of their costs of an adoption. This proposal will add a sunset clause to this credit. There is no fiscal impact from adding the sunset clause to a tax credit. However, should the tax credit actually be allowed to be sunset in the future, it would result in a savings to the State of an unknown amount.

This program has had an annual cap of $6 million. Legislation adopted in 2023 will remove the annual cap starting July 1, 2024. DOR assumes that if the credit is allowed to sunset in the future it would result in a savings of up to the $6 million.

When this program was created, no administrator was named to oversee the program and by default, DOR became the administrator. This proposal names the Department of Social Services (DSS) as the administrator. Currently, adoptive parents file a form with their expenses as DSS and they are reimbursed under a federal program for some of their expenses. Any expenses not covered by the federal program are approved for the tax credits. Changing to DSS as the administrator would not result in any additional administrative or fiscal impact on the part of DOR.

For informational purposes only, DOR is providing the history of the redemptions of each of these credits.

Year	Issued	Total Redeemed
FY 2023	$32,229.00	$32,229.00
FY 2022	$19,690.00	$19,690.00
FY 2021	$3,611.00	$3,611.00
FY 2020	$29,404.00	$29,404.00
FY 2019	$19,185.00	$19,185.00
FY 2018	$88,706.00	$88,706.00
FY 2017	$127,211.00	$127,211.00
FY 2016	$225,358.00	$231,367.00
FY 2015	$380,715.00	$380,715.00
FY 2014	$714,857.00	$718,495.00
FY 2013	$744,155.00	$744,155.00
FY 2012	$1,036,226.00	$1,036,226.00
TOTALS	$3,421,347.00	$3,430,994.00

Officials from the **Department of Social Services (DSS)**

Section 135.326 adds a new definition for “department” – the Department of Social Services.

Section 135.339 transfers tax credit from the Department of Revenue (in conjunction with Children's Division), to DSS alone, administration of the tax credits provided by these sections.

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

This proposal would move the administration of the Adoption tax credit from DOR to DSS. B&P defers to both agencies on potential administrative costs and impacts.

This proposal would add a sunset clause to the Adoption tax credit. The three-year average redemptions were $18,510 in FY21-FY23. Therefore, B&P estimates that if this credit is allowed to sunset, this could increase GR by $18,510 annually.

Oversight notes the 12 year average of the tax credit redemption total $285,916.

Oversight assumes there could be a potential savings to the general revenue after December 31, 2030 that could exceed the 12 year average redemption $285,916 if the program is allowed to sunset. For purposes of this fiscal note, Oversight will not show an impact from the sunset provision.

<u>Section 135.341 Champion for Children Tax Credit Program</u>

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

This section is the Champion for Children tax credit program that gives a tax credit to donors who contribute to CASA's child advocacy centers or crisis care centers. The current cap on the program is $1,500,000. Should the number of donors redeeming the credit exceed the amount of the cap, the credits can be equally apportioned among all available donors.

When this program was created, DOR was named the administrator to oversee the program. This proposal names the Department of Social Services (DSS) as the administrator. DOR assumes that DSS will need to set up a system by which the donors wanting the tax credit will apply to DSS for the credit and are awarded a certificate to make sure they stay under the tax credit cap and that the donors would then submit the certificate with their tax return. This will not result in any additional impact to DOR as most credits are processed this way.

It should be noted that DSS would need to keep track of the amount of credits being applied for and do the apportionment on the awarding of the credits. Currently, the apportionment happens at the redemption stage.

For informational purposes only, DOR is providing the history of the redemptions of each of these credits.

Year	Issued	Total Redeemed
FY 2023	$1,225,848.00	$1,225,848.00
FY 2022	$884,965.00	$884,965.00
FY 2021	$1,339,280.00	$1,339,280.00
FY 2020	$827,942.00	$827,942.00
FY 2019	$999,995.00	$999,995.00
FY 2018	$999,986.00	$999,986.00
FY 2017	$999,873.00	$999,873.00
FY 2016	$999,987.00	$999,987.00
FY 2015	$999,990.00	$999,990.00
FY 2014	$930,769.00	$930,769.00
FY 2013	$792,368.00	$792,368.00
FY 2012	$629,456.00	$629,456.00
TOTALS	$11,630,459.00	$11,630,459.00

Officials from the **Department of Social Services (DSS)** note:

Section 135.341 changes definition for "department" –the Department of Social Services and also Director changed from the Director of DOR to DSS. The Section goes on to provide for tax credits, up to 50% of verified contribution, to qualified agencies (such as CASA or child advocacy centers) – aka the "champion for children tax credit". DSS currently already verifies qualified agency status, but the rest of the tax credit administration would be new to DSS. There are pre-existing (but transferred) rulemaking provisions, and sunset provisions.

Officials from the **Office of Administration – Budget & Planning (B&P)** assumes this proposal would move the administration of the Adoption tax credit from DOR to DSS. B&P defers to both agencies on potential administrative costs and impacts.

Oversight assumes there could be an impact to DSS from the transfer of administration.

<u>Section 135.432 Community Development/Small Business Tax Credit Program</u>

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

Sections 135.400 to 135.432 represent the Community Development/Small Business tax credit program that gives a tax credit to investors who make a qualified investment in a small business. This tax credit has a program cap of $13 million. This credit distributed all of the credits and no more redemptions are outstanding.

This proposal adds a sunset clause to this credit. Since this tax credit program has no additional authorization authority it has already stopped. Therefore, adding the sunset clause does nothing and will not result in any additional fiscal impact.

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

This proposal would add a sunset clause to the Community Development tax credit. B&P notes that there have been no redemptions since FY 2011. Therefore, B&P estimates that this provision will not impact TSR and GR.

Oversight notes the DOR and B&P both assume no impact stemming from the Section 135.432 since no tax credit has been redeemed since 2011. Therefore, Oversight will note zero impact to the general revenue for above tax credit.

<u>Section 135.460 – Youth Opportunities</u>

Officials from the **Office of Administration – Budget & Planning (B&P)** notes this proposal would add a sunset clause to the YOP tax credit. The three-year average redemptions were $3,3132,348 in FY21-FY23. Therefore, B&P estimates that if this credit is allowed to sunset, this could increase GR by $3,3132,348 annually.

Officials from the **Department of Economic Development (DED)** assume the Section 135.460.10 adds a sunset date for Youth Opportunities Program of 12/31/2030 if it is not reauthorized. Could be future cost savings if not reauthorized.

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

This proposal adds a sunset clause to the Youth Opportunities (YOP) Tax Credit program. The YOP program awards tax credits to donors of programs administering to youth development and crime prevention. There is no fiscal impact from adding the sunset clause to a tax credit. However, should the tax credit actually be allowed to be sunset in the future, it would result in a savings to the State of up to the $6 million annually from the current cap on the program.

For informational purposes DOR is providing the amount authorized, issued and redeemed for this credit.

Year	Authorized	Issued	Total Redeemed
FY 2023	$2,247,858.00	$4,139,385.00	$2,987,947.79
FY 2022	$5,706,067.00	$3,039,904.00	$2,283,352.48
FY 2021	$5,288,870.00	$1,983,794.00	$4,084,410.34
FY 2020	$1,212,623.00	$4,086,770.50	$5,217,305.70
FY 2019	$5,169,666.00	$5,822,539.00	$4,040,657.57
FY 2018	$6,826,426.00	$5,726,775.00	$4,818,711.26

FY 2017	$5,642,936.00	$6,349,945.00	$5,451,115.04
FY 2016	$6,375,728.00	$5,411,972.00	$4,706,636.11
FY 2015	$7,041,012.00	$5,325,506.00	$4,247,824.65
FY 2014	$5,941,601.50	$5,080,128.00	$5,239,666.42
FY 2013	$5,609,784.00	$5,571,555.00	$3,906,262.62
FY 2012	$5,843,692.62	$4,152,310.83	$4,979,894.20
TOTALS	$62,906,264.12	$56,690,584.33	$51,963,784.18

Oversight notes that the average redemption from FY 2012 thru FY 2023 was $4,330,315. Therefore, Oversight assumes there could be a savings to the general revenue after December 31, 2030 that could exceed the 12 year average redemption $4,330,315 if the program is allowed to sunset. For purposes of this fiscal note, Oversight will not show a savings from the sunset provision.

Section 135.487 Neighborhood Preservation Tax Credit Program

Officials from the **Department of Revenue** assume this proposal adds a sunset clause to the Neighborhood Preservation Tax Credit program. The Neighborhood Preservation program awards tax credits to taxpayers to reimburse them for eligible expenses occurred in the rehabilitation of homes in designated blighted areas. There is no fiscal impact from adding the sunset clause to a tax credit. However, should the tax credit actually be allowed to be sunset in the future, it would result in a savings to the State of up to the $16 million annually from the current cap on the program.

For informational purposes DOR is providing the amount authorized, issued and redeemed for this credit.

Year	Authorized	Issued	Total Redeemed
FY 2023	$8,050,000.00	$4,284,239.16	$4,667,599.99
FY 2022	$0.00	$4,005,863.64	$3,134,422.45
FY 2021	$8,050,000.00	$5,082,098.68	$7,011,854.52
FY 2020	$8,094,250.00	$5,879,298.43	$3,658,595.10
FY 2019	$8,171,250.00	$4,830,622.10	$2,807,206.80
FY 2018	$8,290,583.75	$3,923,399.76	$3,293,154.79
FY 2017	$8,121,865.00	$2,538,319.73	$3,147,042.54
FY 2016	$1,007,875.82	$11,197,639.74	$2,963,956.70
FY 2015	$8,210,050.00	$3,090,703.26	$1,766,762.55
FY 2014	$7,015,264.52	$2,199,211.15	$1,789,898.44
FY 2013	$9,352,479.69	$2,305,114.68	$1,232,213.95
FY 2012	$9,145,201.93	$969,306.53	$2,159,654.10
TOTALS	$83,508,820.71	$50,305,816.86	$37,632,361.93

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

This proposal would add a sunset clause to the Neighborhood Preservation tax credit. The three-year average redemptions were $4,937,959 in FY21-FY23. Therefore, B&P estimates that if this credit is allowed to sunset, this could increase GR by $4,937,959 annually.

Oversight notes a potential savings to the general revenue after December 31, 2030 that could exceed $3,163,030 (an average redemption amount between 2012-2023) if the program is allowed to sunset. For purposes of this fiscal note, Oversight will not show a savings from the sunset provision.

<u>Section 135.490 Disabled Access for Small Business Tax Credit Program</u>

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

This proposal adds a sunset clause to the Disabled Access for Small Business Tax Credit program. The Disabled Access for Small Business program awards tax credits to small business owners to reimburse them for providing accessible access to their business for the disabled. There is no fiscal impact from adding the sunset clause to a tax credit. However, should the tax credit actually be allowed to be sunset in the future, it would result in a savings to the State of an unknown amount.

This proposal adds a formula for setting a cap on this program starting January 1, 2025. The cap is to be 20% higher than the highest amount redeemed from FY 2018 to FY 2024.

The FY 2024 redemptions have not been received by DOR at this time. The FY 2024 redemptions should be filed between Jan 1st – April 15, 2024, for payments made during tax year 2023. It should be noted that a person can receive an extension to file until October 15, 2024, so DED would be unable to calculate the impact until after that date.

This proposal says the new cap is to begin on January 1, 2025. DOR assumes that this new cap would be applicable to any new credits authorized as of that date and would not impact state revenue until the credits are claimed starting January 1, 2026.

For informational purposes DOR is providing the amount authorized, issued and redeemed for this credit.

Year	Total Redeemed
FY 2023	$2,423.00
FY 2022	$1,913.00
FY 2021	$7,739.00
FY 2020	$14,450.00

FY 2019	$11,597.00
FY 2018	$8,738.00
FY 2017	$1,275.00
FY 2016	$7,288.00
FY 2015	$16,525.00
FY 2014	$13,340.33
FY 2013	$14,602.60
FY 2012	$24,791.00
TOTALS	$124,681.93

Officials from the **Department of Economic Development (DED)** assume Section 135.490 (Disabled Access Tax Credit) removes DOR from administering this program and adds DED. The language adds a cap of 120% of the highest year of tax credits redeemed from FY18 - FY24. Based on previous years, the cap is $17,340 ($14,450 x 120%).

Officials from the **Office of Administration – Budget & Planning (B&P)** assume the proposal would move the administration of the Small Business Disabled Access tax credit from DOR to DED. B&P defers to both agencies on potential administrative costs and impacts.

This proposal would place a cap on the amount of Small Business Disabled Access credits that may be redeemed each year. The new cap shall be 20% of the highest annual redemption amount between FY18 and FY24. B&P notes that FY24 redemptions are not yet known. B&P will use FY18 through FY23 redemptions to estimate an impact for this provision.

Based on expenditure data, the highest redemption amount was $14,450 in FY20. Therefore, the new credit limit would be $17,340. Because this sets a limit higher than actual redemptions, this provision will not impact TSR.

This proposal would add a sunset clause to the Small Business Disabled Access tax credit. The three-year average redemptions were $3,958 in FY21-FY23. Therefore, B&P estimates that if this credit is allowed to sunset, this could increase GR by $3,958 annually.

Oversight this provision adds a formula based cap to the program. Current average redemptions are below the new cap; therefore, Oversight will not show an impact from this provision.

Oversight notes a potential savings to the general revenue after December 31, 2030 that could exceed $3,958 if the program is allowed to sunset. For purposes of this fiscal note, Oversight will not show a savings from the sunset provision.

<u>Section 135.550 – Domestic Violence Shelter</u>

Officials from the **Office of Administration – Budget & Planning (B&P)** assume the proposal would add a sunset clause to the Domestic Violence Shelter tax credit. The three-year average redemptions were $2,056,345 in FY21-FY23. Therefore, B&P estimates that if this credit is allowed to sunset, this could increase GR by $2,056,345 annually.

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

Sections 135.550 is the Domestic Violence Tax Credit program that provides credits to people who make donations to domestic violence shelters. The Domestic Violence Shelter tax credit had a cap of $2 million which was removed starting January 1, 2022.

This proposal adds a sunset clause to this program. There is no fiscal impact from adding the sunset clause to this credit. However, should this program actually be allowed to be sunset in the future, it would result in a savings to the State of more than the $2 million annual cap previously on the program.

For informational purposes only, DOR is providing the history of the issuances and redemptions of this credit.

Year	Authorized	Issued	Total Redeemed
FY 2023	$5,349,747.46	$5,349,747.76	$2,723,763.45
FY 2022	$1,995,009.75	$1,995,009.75	$1,657,129.99
FY 2021	$1,814,930.07	$1,814,930.07	$1,788,140.75
FY 2020	$1,858,165.23	$1,858,165.23	$1,434,287.13
FY 2019	$752,800.86	$752,800.86	$883,098.69
FY 2018	$1,881,995.47	$1,881,995.47	$1,510,571.89
FY 2017	$1,611,058.21	$1,611,058.21	$1,476,637.77
FY 2016	$1,892,974.11	$1,892,974.11	$1,244,890.32
FY 2015	$1,426,180.09	$1,426,180.09	$901,392.07
FY 2014	$1,256,761.49	$1,256,761.49	$1,079,794.76
FY 2013	$1,075,861.66	$1,075,861.66	$851,517.26
FY 2012	$1,088,440.04	$1,088,440.04	$988,995.96
TOTALS	$22,003,924.44	$22,003,924.74	$16,540,220.04

Officials from the **Department of Social Services (DSS)** assume the proposal allows for a few grammatical changes and new sunset provision for rape crisis center and domestic violence shelter tax credit.

Oversight notes the tax credit shall sunset as of December 31, 2030. Therefore, Oversight assumes there could be a potential savings to the general revenue funds totaling $1,378,352 (average redemption amount in last 12 years), after December 2030. For purposes of this fiscal note, Oversight will not show a savings from the sunset provision.

<u>Section 135.562 – Residential Dwelling Access</u>

Officials from the **Office of Administration – Budget & Planning (B&P)** note this proposal would move the administration of the Residential Dwelling Access tax credit from DOR to DED. B&P defers to both agencies on potential administrative costs and impacts.

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

This is the residential dwelling tax credit program that provides a taxpayer making improvements to their dwelling to assist with accessibility of a disabled person a credit toward the cost of the improvements. This proposal has an annual cap of $100,000.

For informational purposes only, DOR is providing the history of the redemptions of this credit.

Year	Total Redeemed
FY 2023	$0.00
FY 2022	$7,500.00
FY 2021	$971.00
FY 2020	$10,034.00
FY 2019	$2,500.00
Y 2018	$11,044.00
FY 2017	$7,053.00
FY 2016	$10,233.00
FY 2015	$18,190.00
FY 2014	$6,759.00
FY 2013	$10,258.00
FY 2012	$6,501.00
TOTALS	$91,043.00

When this program was created, it referenced being administered by a department, but no Department was named. By default, DOR has been the administrator. This proposal removes DOR as the administrator and replaces us with DED. Currently, a taxpayer who wishes to claim this credit submits their receipts and tax credit reporting form to DOR with their tax return for approval. This proposal would require the taxpayer to send their information to DED and have DED review it and issue them a certificate that can be filed with their return. Since this is the way most tax credits are handled, DOR notes that this would not result in any additional administrative or fiscal impact on the part of DOR.

Officials from the **Department of Social Services (DSS) note:**

Section 135.562 transfers administration of a tax credit for making principal dwellings more disability friendly. DSS was a consultant to Revenue with respect to this credit, now DSS will consult with the Department of Economic Development. This Section as the consulting duties should be substantially identical.

Officials from the **Department of Economic Development (DED)** note:

Section 135.562 (Residential Dwelling Accessibility Tax Credit) removes DOR from administering this program and adds DED. Additionally, DED estimating one FTE for both tax credit programs (Disabled Access Tax Credit and Residential Dwelling Accessibility Tax Credit).

Oversight notes Section 135.562 11., denotes that after the effective date of the section, the department of economic development shall administer the tax credit provided under this section. Therefore, Oversight will note DED cost for 1 FTE beginning FY 2025 (Senior Economic Development Specialist $74,664).

Section 135.600 – Maternity Home

Officials from the **Office of Administration – Budget & Planning (B&P)** note the proposal would add a sunset clause to the Maternity Home tax credit. The three-year average redemptions were $2,627,017 in FY21-FY23. Therefore, B&P estimates that if this credit is allowed to sunset, this could increase GR by $2,627,017.

Officials from the **Department of Social Services (DSS)** note:

Section 135.600 relates to tax credits for maternity homes. DSS was already administering this tax credit, and the only change was adding sunset provision language.

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

This is the Maternity Home tax credit program that gives a taxpayer a tax credit equal to 70% of a donation they make to a qualified maternity home. The maternity home tax credit program had a cap of $3.5 million until July 1, 2022, when the cap became unlimited.

This proposal adds a sunset clause to this program. There is no fiscal impact from adding the sunset clause to this credit. However, should this program actually be allowed to be sunset in the future, it would result in a savings to the State of more than the $3.5 million annual cap previously on the program.

For informational purposes only, DOR is providing the history of the issuances and redemptions of this credit.

Year	Issued	Total Redeemed
FY 2023	$5,224,936.69	$2,987,535.91
FY 2022	$2,443,743.68	$2,234,748.48
FY 2021	$2,625,830.84	$2,658,767.57
FY 2020	$2,678,033.86	$2,263,523.03
FY 2019	$2,390,514.11	$1,538,938.55
FY 2018	$2,499,951.44	$2,098,721.14
FY 2017	$2,482,713.51	$2,422,510.02
FY 2016	$2,499,405.47	$1,657,332.88
FY 2015	$2,104,022.19	$1,511,157.00
FY 2014	$1,810,789.52	$2,051,027.90
FY 2013	$1,999,957.83	$1,138,969.33
FY 2012	$1,471,340.43	$1,354,431.47
TOTALS	$30,231,239.57	$23,917,663.28

Oversight notes this proposal adds a sunset clause as of December 31, 2030. Therefore, Oversight assumes there could be a potential savings to the general revenue funds totaling $1,993,139 (average redemption amount in last 12 years), after the sunset in FY 2030. For purposes of this fiscal note, Oversight will not show a savings from the sunset provision.

<u>Section 135.630 Pregnancy Resource Center Tax Credit Program</u>

Officials from the **Department of Revenue (DOR)** note:
This is the Pregnancy Resource Center tax credit program that gives a taxpayer a tax credit equal to 70% of a donation they make to a qualified pregnancy resource center. The pregnancy resource center tax credit program had a cap of $3.5 million until July 1, 2022, when the cap became unlimited.

This proposal adds a sunset clause to this program. There is no fiscal impact from adding the sunset clause to this credit. However, should this program actually be allowed to be sunset in the future, it would result in a savings to the State of more than the $3.5 million annual cap previously on the program.

For informational purposes only, DOR is providing the history of the issuances and redemptions of this credit.

Year	Issued	Total Redeemed
FY 2023	$10,098,879.47	$8,131,329.41
FY 2022	$10,910,488.95	$5,756,628.91
FY 2021	$3,358,998.95	$2,900,451.16
FY 2020	$3,274,044.98	$2,381,620.61

FY 2019	$2,498,735.54	$1,259,766.60
FY 2018	$2,499,393.98	$2,094,375.23
FY 2017	$2,443,386.34	$2,183,504.71
FY 2016	$2,499,441.93	$1,845,874.70
FY 2015	$2,326,435.41	$1,581,045.10
FY 2014	$1,998,698.88	$1,715,599.57
FY 2013	$1,621,951.09	$1,194,476.57
FY 2012	$1,844,683.99	$1,892,182.85
TOTALS	$45,375,139.51	$32,936,855.42

Officials from the **Office of Administration – Budget & Planning (B&P)** note the proposal would add a sunset clause to the Pregnancy Resource Center credit. The three-year average redemptions were $5,596,328 in FY21-FY23. Therefore, B&P estimates that if this credit is allowed to sunset, this could increase GR by $5,596,328 annually.

Officials from the **Department of Social Services (DSS)** notes:

Section 135.630 relates to tax credits for pregnancy resource centers. Again, DSS already administers it, and again the only change relates to new sunset provisions.

Oversight notes the average annual redemption between 2012 and 2023 was $2,744,738

Oversight notes this proposal adds a sunset clause as of December 31, 2030. Therefore, Oversight assumes there could be a potential savings to the general revenue funds totaling $2,744,738 (average redemption amount in last 12 years), after the sunset date. For purposes of this fiscal note, Oversight will not show a savings from the sunset provision.

<u>Section 135.647 – Food Pantry</u>

Officials from the **Office of Administration – Budget & Planning (B&P)** note this proposal would move the administration of the Food Pantry tax credit from DOR to DSS. B&P defers to both agencies on potential administrative costs and impacts.

Officials from the **Department of Social Services (DSS)** note:

Section 135.647- new definition added for “department” – the department of social services. Relates to tax credits (cash or food donations) to a food pantry, soup kitchen or homeless shelter. Administration of this section has been transferred from the Department of Revenue to DSS.

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

This section is the Food Pantry tax credit program that gives a tax credit to donors who contribute to a food pantry, homeless shelter or soup kitchen. The current cap on the program is

$1,750,000. Should the number of donors redeeming the credit exceed the amount of the cap, the credits can be equally apportioned among all available donors.

When this program was created, DOR was named the administrator to oversee the program. This proposal names the Department of Social Services (DSS) as the administrator. DOR assume that DSS will need to set up a system by which the donors wanting the tax credit will apply to DSS for the credit and are awarded a certificate to make sure they stay under the tax credit cap and that the donors would then submit the certificate with their tax return. This will not result in any additional impact to DOR as most credits are processed this way.

It should be noted that DSS would need to keep track of the amount of credits being applied for and do the apportionment on the awarding of the credits. Currently, the apportionment happens at the redemption stage.

For informational purposes only, DOR is providing the history of the redemptions of this credit.

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

Oversight notes the average annual redemption was $1,290,240.

Oversight assumes this provision moves the administration of the tax credit program to DSS from DOR. Oversight assumes there could be costs for DSS to administer the program.

<u>**Section 135.690 – Medical Preceptorship**</u>

Officials from the **Office of Administration – Budget & Planning (B&P)** note this proposal would add a sunset clause to the Medical Preceptorship tax credit. B&P notes that this is a new program and redemptions have not yet occurred. The annual cap on the program is currently

$200,000. Therefore, B&P estimates that if this credit is allowed to sunset, this could increase GR by up to $200,000 annually.

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

This is the Medical Preceptorship tax credit program that gives a taxpayer a tax credit based on the number of medical preceptors they oversee. The tax credit program has an annual cap of $200,000.

This proposal adds a sunset clause to this program. There is no fiscal impact from adding the sunset clause to this credit. However, should this program actually be allowed to be sunset in the future, it would result in a savings to the State of the $200,000 annual cap on the program.

DOR notes this program began with tax year 2023 and therefore DOR have no information at this time on the participation in the program.

Oversight notes that the Medical Preceptorship tax credit program has a current maximum cap of $200,000; therefore, Oversight notes the potential revenue gain after December 31, 2030 could reach a same amount as the current cap if the program were allowed to sunset. For purposes of this fiscal note, Oversight will not show a savings from the sunset provision.

Section 135.700 – Wine and Grape

Officials from the **Office of Administration – Budget & Planning (B&P)** note this proposal would place a cap on the amount of Wine and Grape credits that may be redeemed each year. The new cap shall be 20% of the highest annual redemption amount between FY18 and FY24. B&P notes that FY24 redemptions are not yet known. B&P will use FY18 through FY23 redemptions to estimate an impact for this provision.

Based on expenditure data, the highest redemption amount was $49,212 in FY18. Therefore, the new credit limit would be $59,054. Because this sets a limit higher than actual redemptions, this provision will not impact TSR.

This proposal would add a sunset clause to the Wine and Grape tax credit. The three-year average redemptions were $6,327 in FY21-FY23. Therefore, B&P estimates that if this credit is allowed to sunset, this could increase GR by $6,327 annually.

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

This is the Wine and Grape tax credit program that provides a company with tax credits for the purchase price of new equipment and materials used to increase production of wine in this state. The Missouri House of Representatives has voted each year since FY 2019 to not allow any credits to be authorized.

This proposal adds a formula for setting a cap on this program starting January 1, 2025. The cap is to be 20% higher than the highest amount redeemed from FY 2018 to FY 2024.

The FY 2024 redemptions have not been received by DOR at this time. The FY 2024 redemptions should be filed between Jan 1st – April 15, 2024, for payments made during tax year 2023. It should be noted that a person can receive an extension to file until October 15, 2024, so DED would be unable to calculate the impact until after that date.

This proposal says the new cap is to begin on January 1, 2025. DOR assumes that this new cap would be applicable to any new credits authorized as of that date and would not impact state revenue until the credits are claimed starting January 1, 2026.

Year	Issued	Total Redeemed
FY 2023	$0.00	$0.00
FY 2022	$0.00	$0.00
FY 2021	$0.00	$18,980.03
FY 2020	$0.00	$0.00
FY 2019	$0.00	$4,422.88
FY 2018	$126,389.14	$49,211.94
FY 2017	$24,507.44	$21,612.15
FY 2016	$16,966.17	$8,822.75
FY 2015	$14,756.14	$15,527.15
FY 2014	$34,077.65	$26,596.56
FY 2013	$27,745.91	$15,300.68
FY 2012	$104,521.92	$61,598.10
TOTALS	$348,964.37	$222,072.24

At this time, DOR notes that the highest redemption from FY 2018 to FY 2023 is $49,212 and if the cap were set at 20% higher than that it would be $59,054. Since this proposal currently has a House of Representative’s self-imposed authorization cap of zero that is lower than the redemption cap being added, this will result in an additional loss to the state of $59,054.

It should be noted that the provision of this proposal says the credits are to be issued in the order they are claimed. DOR assumes that DED can make sure they do not issue tax credit certificates higher than the new cap.

This proposal adds a sunset clause to this program. There is no fiscal impact from adding the sunset clause to this credit. However, should this program actually be allowed to be sunset in the future, it would result in a savings to the State of the $59,054 annual cap on the program.

Officials from the **Department of Economic Development (DED)** assume Section 135.700 (Wine & Grape Tax Credit) adds language that adds a cap of 120% of the highest year of tax credits redeemed from FY18 - FY24. Based on previous years, the cap is $59,054 ($49,211.94 x 120%). It also has a sunset date of 12/31/2030 if it is not reauthorized.

Oversight notes that the average redemption from FY 2012 thru FY 2023 was $18,506. Therefore, Oversight assumes this proposal adds a formula based cap to the program. Currently average redemptions do not exceed the new cap; therefore, Oversight will not show an impact from this provision.

Oversight assumes this proposal would add a sunset clause to the Wine and Grape tax credit. The three-year average redemptions were $6,327 in FY21-FY23. Therefore, Oversight estimates that if this credit is allowed to sunset, this could increase GR by $6,327 annually after December 2030. For purposes of this fiscal note, Oversight will not show a savings from the sunset provision.

Section 135.719 MO Empowerment Tax Credit Program

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

This is the MO Empowerment (MOScholars) tax credit program that gives a taxpayer a tax credit for donations they make to educational organizations. The tax credit program has an annual cap of $25 million that is adjusted annually based on the CPI.

This proposal adds a sunset clause to this program. There is no fiscal impact from adding the sunset clause to this credit. However, should this program actually be allowed to be sunset in the future, it would result in a savings to the State of over the $25 million adjusted annual cap on the program.

DOR notes this program began with tax year 2023 and therefore Department noted that $8,446,888 in credits were issued in FY 2023 and $2,026,625 were redeemed.

Officials from the **Office of Administration – Budget & Planning (B&P)** note this proposal would add a sunset clause to the Empowerment Scholarship tax credit. B&P notes that this is a new program with only one year of redemptions. Redemptions in FY23 were $2,638,738. B&P notes that the cap on this program is $27,025,000 for FY24 and shall be adjusted annually for inflation until the annual cap reaches $50 million. Therefore, B&P estimates that if this credit is allowed to sunset, this could prevent a $50 million reduction to GR in the future.

Oversight notes this provision adds a sunset clause to this program; therefore, Oversight estimates that if this credit is allowed to sunset, this could result in a $50 million savings to GR after December 2030. For purposes of this fiscal note, Oversight will not show a savings from the sunset provision.

Section 135.772 Ethanol Retailers Tax Credit Program

Officials from the **Department of Revenue (DOR)** note:
This is the Ethanol Retailers Tax Credit Program, which was created in HB 3, from the extraordinary session of 2022 and was modified again in SB 138 in the 2023 session. The program was given a $5 million annual cap. Should the number of donors redeeming the credit exceed the amount of the cap, the credits can be equally apportioned among all available donors.

When this program was created, DOR was named the administrator to oversee the program. This proposal names the Department of Agriculture (MDA) as the administrator. DOR assume that MDA will need to set up a system by which the donors wanting the tax credit will apply to MDA for the credit and are awarded a certificate to make sure they stay under the tax credit cap and that the donors would then submit the certificate with their tax return. This will not result in any additional impact to DOR as most credits are processed this way.

It should be noted that MDA would need to keep track of the amount of credits being applied for and do the apportionment on the awarding of the credits. Currently, the apportionment happens at the redemption stage.

DOR notes that the Department do not have information on the usage of the program as it has just started.

Officials from the **Office of Administration – Budget & Planning (B&P)** note that this proposal would move the administration of the Ethanol Retailer tax credit from DOR to MDA. B&P defers to both agencies on potential administrative costs and impacts.

Oversight assumes this provision moves the administration of the program from DOR to MDA. Oversight assumes there could be costs to MDA to administer the program.

Section 135.775 Biodiesel Retailers Tax Credit Program

Officials from the **Department of Revenue (DOR)** note:
This is the Biodiesel Retailers Tax Credit Program, which was created in HB 3, from the extraordinary session of 2022 and was modified again in SB 138 in the 2023 session. The program was given a $16 million annual cap. Should the number of donors redeeming the credit exceed the amount of the cap, the credits can be equally apportioned among all available donors.

When this program was created, DOR was named the administrator to oversee the program. This proposal names the Department of Agriculture (MDA) as the administrator. DOR assume that MDA will need to set up a system by which the donors wanting the tax credit will apply to MDA for the credit and are awarded a certificate to make sure they stay under the tax credit cap and that the donors would then submit the certificate with their tax return. This will not result in any additional impact to DOR as most credits are processed this way.

It should be noted that MDA would need to keep track of the amount of credits being applied for and do the apportionment on the awarding of the credits. Currently, the apportionment happens at the redemption stage.

DOR notes that the Department does not have information on the usage of the program as it has just started.

Officials from the **Office of Administration – Budget & Planning (B&P)** note that this proposal would move the administration of the Ethanol Retailer tax credit from DOR to MDA. B&P defers to both agencies on potential administrative costs and impacts.

Oversight assumes this provision moves the administration of the program from DOR to MDA. Oversight assumes there could be costs to MDA to administer the program.

Section 135.778 Biodiesel Producers Tax Credit Program

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

This is the Biodiesel Producers Tax Credit Program which was created in HB 3 from the extraordinary session of 2022 and was modified again in SB 138 in the 2023 session. The program was given a $5.5 million annual cap.

When this program was created, DOR was named the administrator to oversee the program. This proposal names the Department of Agriculture (MDA) as the administrator. DOR assume that MDA will need to set up a system by which the donors wanting the tax credit will apply to MDA for the credit and are awarded a certificate to make sure they stay under the tax credit cap and that the donors would then submit the certificate with their tax return. This will not result in any additional impact to DOR as most credits are processed this way.

DOR notes that the Department does not have information on the usage of the program as it has just started.

Officials from the **Office of Administration – Budget & Planning (B&P)** note that this would move the administration of the Biodiesel Retailer tax credit from DOR to MDA. B&P defers to both agencies on potential administrative costs and impacts

Oversight assumes this provision moves the administration of the program from DOR to MDA. Oversight assumes there could be costs to MDA to administer the program.

Section 135.1125 Unmet Health Need (Health, Hunger & Hygiene) Tax Credit Program

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

This is the Unmet Health Need tax credit program that gives a taxpayer a tax credit for contributions to qualified organizations. The tax credit program is a prepay credit and therefore, does not have an annual cap.

This proposal adds a formula for setting a cap on this program starting January 1, 2025. The cap is to be 20% higher than the highest amount redeemed from FY 2018 to FY 2024.

This proposal says the new cap is to begin on January 1, 2025. DOR assumes that this new cap would be applicable to any new credits authorized as of that date and would not impact state revenue until the credits are claimed starting January 1, 2026.

DOR notes this program began with tax year 2018 and is to sunset on August 28, 2024. No organization has come forward to be qualified under this proposal and therefore, no credits have been issued or redeemed under this program since it began. DOR assumes adding this cap would not result in any fiscal impact to the state as this program will be sunset by the effective date of this proposal.

This proposal would place a cap on the amount of Health, Hunger, and Hygiene credits that may be redeemed each year. The new cap shall be 20% of the highest annual redemption amount between FY18 and FY24. B&P notes that FY24 redemptions are not yet known. B&P will use FY18 through FY23 redemptions to estimate an impact for this provision.

Officials from the **Department of Social Services (DSS)** note:

Section 135.1125 relates to tax credits for donations to eligible providers for health, hunger and hygiene for children in school. DSS already administers this tax credit. The only change relates to cumulative amounts of tax credits for all taxpayers, which DSS will calculate. Essentially there is a year to year cap in how many credits are allowable statewide, with the maximum being no more than 20% change from prior years.

Officials from the **Office of Administration – Budget & Planning (B&P)** note that this program has never had any credits authorized, issued, or redeemed. Therefore, the new credit cap would be $0. In addition, B&P notes that this section would become effective on the same day that the Health, Hunger, and Hygiene credit sunsets. Therefore, this provision will not impact TSR.

This proposal would place a cap on the amount of Health, Hunger, and Hygiene credits that may be redeemed each year. The new cap shall be 20% of the highest annual redemption amount between FY18 and FY24. B&P notes that FY24 redemptions are not yet known. B&P will use FY18 through FY23 redemptions to estimate an impact for this provision.

B&P notes that this program has never had any credits authorized, issued, or redeemed. Therefore, the new credit cap would be $0. In addition, B&P notes that this section would become effective on the same day that the Health, Hunger, and Hygiene credit sunsets. Therefore, this provision will not impact TSR.

Oversight notes the program redemption history below:

	FY 2020 ACTUAL	FY 2021 ACTUAL	FY 2022 ACTUAL	FY 2023 (year to date)
Certificates Issued (#)	0	0	0	*0*
Projects/Participants (#)	N/A	N/A	N/A	*N/A*
Amount Authorized	$0	$0	$0	*$0*
Amount Issued	$0	$0	$0	*$0*
Amount Redeemed	$0	$0	$0	*$0*

Form F14 DSS

The health, hunger, hygiene organization accepting the qualified donation must remit payment to the DSS equivalent to fifty percent of the donation received (the amount of the tax credit to be issued). Since January 1, 2019, any taxpayer is allowed to claim a credit against their state tax liability equivalent to fifty percent (50%) of the eligible donation the taxpayer made to a qualified health, hunger, and hygiene organization.

Oversight notes the proposal imposes a cap on this tax credit. Oversight assumes no tax credits have been issued for this program. Therefore, Oversight will show a zero fiscal impact for this provision.

<u>Section 135.1150 – Residential Treatment</u>

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

This is the Residential Treatment Agency tax credit program that gives a taxpayer a tax credit for contributions to residential treatment centers. The tax credit program is a prepay credit and therefore, does not have an annual cap.

This proposal adds a formula for setting a cap on this program starting January 1, 2025. The cap is to be 20% higher than the highest amount redeemed from FY 2018 to FY 2024.

The FY 2024 redemptions have not been received by DOR at this time. The FY 2024 redemptions should be filed between Jan 1st – April 15, 2024, for payments made during tax year 2023. It should be noted that a person can receive an extension to file until October 15, 2024, so DOR would be unable to calculate the impact until after that date.

This proposal says the new cap is to begin on January 1, 2025. DOR assumes that this new cap would be applicable to any new credits authorized as of that date and would not impact state revenue until the credits are claimed starting January 1, 2026.

For informational purposes, DOR is providing the issuances and redemptions of this credit.

Year	Issued	Total Redeemed
FY 2023	$132,458.67	$132,813.17
FY 2022	$338,707.41	$356,486.62
FY 2021	$339,129.19	$315,207.37
FY 2020	$442,411.50	$359,851.40
FY 2019	$366,666.57	$195,841.63
FY 2018	$357,048.79	$294,638.79
FY 2017	$352,380.77	$389,076.96
FY 2016	$374,509.65	$275,140.05
FY 2015	$415,340.51	$303,112.15
FY 2014	$348,603.82	$490,033.02
FY 2013	$513,211.66	$292,395.69
FY 2012	$373,588.37	$283,501.00
TOTALS	$4,354,056.91	$3,688,097.85

At this time, DOR notes that the highest redemption from FY 2018 to FY 2023 is $359,851 and if the cap were set at 20% higher than that it would be $431,821. Since this proposal currently does not have a cap, then adding one that is higher than the current redemptions would not result in any additional fiscal impact.

It should be noted that the provision of this proposal says the credits are to be issued in the order they are claimed. DOR assumes that DSS can make sure they do not issue tax credit certificates higher than the new cap.

This proposal adds a sunset clause to this program. There is no fiscal impact from adding the sunset clause to this credit. However, should this program actually be allowed to be sunset in the future, it would result in a savings to the State of up to the $431,821 new annual cap on the program.

Officials from the **Department of Social Services (DSS)** note:

Section 135.1150 relates to tax credits for donations to residential treatment centers. DSS already administers this tax credit. Changes in this section also relate to cumulative amounts of tax credits to all taxpayers, which DSS will calculate. There are also new sunset provisions.

Officials from the **Office of Administration – Budget & Planning (B&P)** note this proposal would place a cap on the amount of Residential Treatment credits that may be redeemed each year. The new cap shall be 20% of the highest annual redemption amount between FY18 and FY24. B&P notes that FY24 redemptions are not yet known. B&P will use FY18 through FY23 redemptions to estimate an impact for this provision.

Based on expenditure data, the highest redemption amount was $359,851 in FY20. Therefore, the new credit limit would be $431,822. Because this sets a limit higher than actual redemptions, this provision will not impact TSR.

This proposal would add a sunset clause to the Residential Treatment tax credit. The three-year average redemptions were $268,169 in FY21-FY23. Therefore, B&P estimates that if this credit is allowed to sunset, this could increase GR by $268,169 annually.

Oversight notes that the average redemption from FY 2012 thru FY 2023 was $309,508.

<u>Section 135.1180 Developmental Disability Tax Credit Program</u>

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

This is the Developmental Disability tax credit program that gives a taxpayer a tax credit for contributions to providers who provide services to the developmentally disabled. The tax credit program is a prepay credit and therefore, does not have an annual cap.

This proposal adds a formula for setting a cap on this program starting January 1, 2025. The cap is to be 20% higher than the highest amount redeemed from FY 2018 to FY 2024.

The FY 2024 redemptions have not been received by DOR at this time. The FY 2024 redemptions should be filed between Jan 1st – April 15, 2024, for payments made during tax year 2023. It should be noted that a person can receive an extension to file until October 15, 2024, so DOR would be unable to calculate the impact until after that date.

This proposal says the new cap is to begin on January 1, 2025. DOR assumes that this new cap would be applicable to any new credits authorized as of that date and would not impact state revenue until the credits are claimed starting January 1, 2026.

For informational purposes, DOR is providing the issuances and redemptions of this credit.

Year	Issued	Total Redeemed
FY 2023	$59,427.00	$59,427.00
FY 2022	$59,317.50	$16,528.02
FY 2021	$67,212.22	$95,070.92
FY 2020	$78,204.70	$52,505.00
FY 2019	$55,441.07	$17,389.00
FY 2018	$41,313.00	$33,597.00
FY 2017	$27,937.50	$28,130.00
FY 2016	$14,396.46	$18,618.00
FY 2015	$28,435.35	$16,793.85

FY 2014	$49,587.50	$92,992.50
FY 2013	$62,291.50	$7,819.00
TOTALS	$543,563.80	$438,870.29

At this time, DOR notes that the highest redemption from FY 2018 to FY 2023 is $95,071 and if the cap were set at 20% higher than that it would be $114,085. Since this proposal currently does not have a cap, then adding one that is higher than the current redemptions would not result in any additional fiscal impact.

It should be noted that the provision of this proposal says the credits are to be issued in the order they are claimed. DOR assumes that DSS can make sure they do not issue tax credit certificates higher than the new cap.

This proposal adds a sunset clause to this program. There is no fiscal impact from adding the sunset clause to this credit. However, should this program actually be allowed to be sunset in the future, it would result in a savings to the State of up to the $114,085 new annual cap on the program.

Officials from the **Department of Social Services (DSS)** note:

Section 135.1180 relates to tax credits for eligible donations to developmental disability care providers. DSS already administers this tax credit. As with the prior two sections the primary change is adding a cap, to be calculated by DSS, of total statewide tax credits available under this Section. Again, there is a 20% maximum statewide change allowed. There are also new sunset provisions.

Officials from the **Office of Administration – Budget & Planning (B&P)** note this proposal would place a cap on the amount of Developmental Disability Care credits that may be redeemed each year. The new cap shall be 20% of the highest annual redemption amount between FY18 and FY24. B&P notes that FY24 redemptions are not yet known. B&P will use FY18 through FY23 redemptions to estimate an impact for this provision.

Based on expenditure data, the highest redemption amount was $95,071 in FY21. Therefore, the new credit limit would be $114,085. Because this sets a limit higher than actual redemptions, this provision will not impact TSR.

This proposal would add a sunset clause to the Developmental Disability Care tax credit. The three-year average redemptions were $57,009 in FY21-FY23. Therefore, B&P estimates that if this credit is allowed to sunset, this could increase GR by $57,009 annually.

Oversight assumes this provision would add a sunset clause to the Developmental Disability Care tax credit. The three-year average redemptions were $57,009 in FY21-FY23. Therefore, Oversight assumes, if this credit is allowed to sunset, this could result in a savings to GR by

$57,009 annually beginning after December 2030. For purposes of this fiscal note, Oversight will not show a savings from the sunset provision.

Section 137.1018 Rolling Stock Tax Credit Program

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

This is the Rolling Stock Tax Credit program that was created in 1999. It is an appropriated credit with no limit as the amount that can be appropriated. The General Assembly in FY 2024 appropriated $200,000. Here are the appropriations that have been made the last few years. The full amount of the appropriation is claimed in the year of the appropriation.

Fiscal Year	Appropriated	Action
2024	$200,000	
2023	$200,000	
2022	$0	
2021	$0	
2020	$0	
2019	$0	
2018	$0	
2017	$600,000	Governor withheld $300,000
2016	$300,000	
2015	$2,000,000	Governor vetoed
2014	$4,000,000	Governor vetoed

This proposal adds a formula for setting a cap on this program starting January 1, 2025. The cap is to be 20% higher than the highest amount redeemed from FY 2018 to FY 2024.

This proposal says the new cap is to begin on January 1, 2025. DOR assumes that this new cap would be applicable to any new credits authorized as of that date and would not impact state revenue until the credits are claimed starting January 1, 2026.

For the purpose of the fiscal note, DOR will assume the $200,000 appropriated would be the credit cap that would be inflated the 20% bringing the new cap to $240,000. Since this is an appropriated credit, DOR assumes the General Assembly will not appropriate more than this new cap and that this proposal will not result in a fiscal impact.

Officials from the **Office of Administration – Budget & Planning (B&P)** note the proposal would place a cap on the amount of Rolling Stock credits that may be redeemed each year. The new cap shall be 20% of the highest annual redemption amount between FY18 and FY24. B&P notes that FY24 redemptions are not yet known. B&P will use FY18 through FY23 redemptions to estimate an impact for this provision.

B&P notes that this is an appropriated tax credit. B&P assumes that the cap created in this provision would limit future annual appropriations.

Based on expenditure data, the highest redemption amount was $200,000 in FY22 and FY23. Therefore, the new credit limit would be $240,000. Because this sets a limit higher than actual redemptions, this provision will not impact TSR.

Oversight assumes this provision adds a formula based cap on the amount of tax credits issued for this program. Oversight assumes current redemptions are below the new cap; therefore, Oversight will not show an impact from this provision.

Section 143.119 Self-Employed Health Insurance Tax Credit Program

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

This is the Self-Employed tax credit program that gives a self-employed taxpayer a tax credit for contributions they make to a health insurance plan for themselves. The tax credit program does not have an annual cap.

This proposal adds a formula for setting a cap on this program starting January 1, 2025. The cap is to be 20% higher than the highest amount redeemed from FY 2018 to FY 2024.

The FY 2024 redemptions have not been received by DOR at this time. The FY 2024 redemptions should be filed between Jan 1st – April 15, 2024, for payments made during tax year 2023. It should be noted that a person can receive an extension to file until October 15, 2024, so DOR would be unable to calculate the impact until after that date.

This proposal says the new cap is to begin on January 1, 2025. DOR assumes that this new cap would be applicable to any new credits authorized as of that date and would not impact state revenue until the credits are claimed starting January 1, 2026.

For informational purposes, DOR is providing the issuances and redemptions of this credit.

Year	Total Redeemed
FY 2023	(Unknown)
FY 2022	$10,249,256.00
FY 2021	$10,710,252.00
FY 2020	$12,297,976.00
FY 2019	$5,574,641.00
FY 2018	$8,607,758.00
FY 2017	$7,920,345.00
FY 2016	$6,594,509.00

FY 2015	$3,418,312.00
FY 2014	$1,542,752.00
FY 2013	$1,811,060.00
FY 2012	$1,847,045.00
TOTALS	$70,573,906.00

At this time, DOR notes that the highest redemption from FY 2018 to FY 2023 is $12,297,976 and if the cap were set at 20% higher than that it would be $14,757,571. Since this proposal currently does not have a cap, then adding one that is higher than the current redemptions would not result in any additional fiscal impact.

It should be noted that the provision of this proposal says the credits are to be issued in the order they are claimed. DOR assumes the Department can make sure more tax credits are not claimed than are higher than the new cap.

Officials from the **Office of Administration – Budget & Planning (B&P)** note this proposal would place a cap on the amount of Self-Employed Health Insurance credits that may be redeemed each year. The new cap shall be 20% of the highest annual redemption amount between FY18 and FY24. B&P notes that FY24 redemptions are not yet known. B&P will use FY18 through FY23 redemptions to estimate an impact for this provision.

Based on expenditure data, the highest redemption amount was $12,297,976 in FY20. Therefore, the new credit limit would be $14,757,571. Because this sets a limit higher than actual redemptions, this provision will not impact TSR.

Oversight assumes this provision adds a formula based cap on the amount of tax credits issued for this program. Oversight assumes current redemptions are below the new cap; therefore, Oversight will not show an impact from this provision.

Section 143.177 MO Working Family Tax Credit Program (MO-EITC)

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

SB 153 & 97 adopted in 2021 created the MO Working Family Tax Credit program, an EITC program for the state. The bill required that starting with tax year 2023, the state credit be 10% of the federal credit and that in tax year 2024 the credit would be 20% of the state credit. Starting with tax year 2025, the credit would remain at 20% in all future fiscal years. DOR notes the federal credit is inflation adjusted annually. It should be noted that the tax year 2023 filings are occurring currently from January 1st to April 15, 2024, so DOR does not have an accurate accounting of the number of participates or their redemptions at this time.

This proposal adds a formula for setting a cap on this program starting January 1, 2025. The cap is to be 20% higher than the highest amount redeemed from FY 2018 to FY 2024. The FY 2024 redemptions have not been received by DOR at this time. The FY 2024 redemptions should be filed between Jan 1st – April 15, 2024, for tax year 2023. It should be noted that a person can receive an extension to file until October 15, 2024, so DOR would be unable to calculate the impact until after that date.

As noted above, the tax year 2024 returns are currently scheduled to receive the 20% credit on the returns they file in 2025. Current taxpayers filing here in 2024 are getting the 10% credit and hope to receive the 20% credit starting January 1, 2025. DOR assume the taxpayers will receive these amounts.

This proposal, however, would require DOR to use the FY 2024 redemptions to calculate the new cap in the future. FY 2024 redemptions while not in yet, would only contain the 10% credit. Therefore, using the FY 224 redemptions to set the new cap will result in a lower cap based on the 10% credit into the future.

Using the DOR internal individual income tax data from tax year 2021, the last complete year, DOR note that $1,129,964,823 was claimed by taxpayers on their federal return. Using their income, tax due, the 10% credit allowance and the new cap rate of 20% higher than the redemption, DOR was able to estimate that $42,947,282 would be the new cap. Which would result in a savings of $12,071,084 from the cap.

The federal EITC is adjusted annually based on an inflation factor. Since this credit decreases as a taxpayer's income rises, this credit being capped and the amount of the credit increasing would result in fewer people being eligible in the future and the savings being larger in the future.

This proposal says the new cap is to begin on January 1, 2025. DOR assumes that this new cap would be applicable to any new credits authorized as of that date and would not impact state revenue until the credits are claimed starting January 1, 2026.

Since this proposal currently has a cap that under existing law will be higher than the new one being placed on it, then this proposal will result in a savings to the state.

It should be noted that the provisions of this proposal say the credits are to be issued in the order they are claimed. DOR notes that monitoring this cap with the number of returns coming into DOR office will require computer programming to establish a time stamp on the returns and additional staff to do the calculations and processing of these returns daily. DOR assumes the need the three additional Associate Customer Service Representatives ($35,880) annually.

This proposal adds a sunset clause to this program. There is no fiscal impact from adding the sunset clause to this credit. However, should this program actually be allowed to be sunset in the future, it would result in a savings to the State of up to the $42,947,282, the new annual cap on the program.

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

This proposal would place a cap on the amount of MO Working Family credits that may be redeemed each year. The new cap shall be 20% of the highest annual redemption amount between FY18 and FY24. B&P notes that FY24 redemptions are not yet known. B&P will use FY18 through FY23 redemptions to estimate an impact for this provision.

B&P notes that the credit is currently capped to a percentage of a taxpayer's Federal Earned Income Tax Credit (EITC). For tax year 2023 that limit was 10% of the credit, for tax year 2024 and beyond that limit is 20% of the federal credit.

While this credit is granted on a tax year basis, taxpayers cannot use the credit until the following year when they file their annual return. Tax year 2023 returns will be filed in FY24, and tax year 2024 returns will be filed in FY25.

The proposed cap for this tax credit is based on redemptions during FY18 through FY24. However, this credit will not be fully phased in until FY25 (for tax year 2024 returns). Under this proposal all qualifying taxpayers will receive a credit for tax year 2023 (FY24) and tax year 2024 (FY25), but a significant number will be unable to claim the credit for tax year 2025 (FY26) and beyond.

Based on tax year 2021 data, the most recent complete year available, B&P estimates that the redemptions at the 10% (TY23/FY24) credit could be $35,789,402. Making the new credit cap $42,947,282. However, redemptions at the 20% (TY24/FY25) credit are estimated to be $55,018,365. Therefore, B&P estimates that this cap could increase GR by $12,071,083 in FY26.

In addition, B&P notes that the federal EITC is adjusted annually for inflation. This inflation adjustment would typically flow through to Missouri's Working Family tax credit. However, the cap in this proposal is static. Therefore, the savings to GR will increase over time as the federal credit is adjusted for inflation. Table 1 shows the estimated timing and impacts of this provision.

Table 1: MO Working Family Tax Credit Cap Timing

Tax Year	Fiscal Year	Cap	Redemption Claims	GR Savings
2023	2024	10% EITC	($35,789,402)	$0
2024	2025	20% EITC	($55,018,365)	$0
2025	2026	$42,947,282	($55,018,365)	$12,071,083
2026	2027	$42,947,282	($56,118,733)	$13,171,451
2027	2028	$42,947,282	($57,241,107)	$14,293,825

**Assumes 2% annual inflation adjustment to federal credit after tax year 2025.*

This proposal would also add a sunset to the Missouri Working Family tax credit. If allowed to sunset, this provision could increase TSR and GR by $42,947,282 (the amount of the new redemption cap).

Oversight notes the DOR and B&P both assume that $1,129,964,823 was claimed by taxpayers on their federal return in Missouri and using their income, tax due, the 10% credit allowance and the new cap rate of 20% higher than the redemption, DOR and B&P were able to estimate that $42,947,282 would be the new cap. Lastly, DOR and B&P both agree that this would result in a savings of $12,071,084 from lowering the cap.

Oversight does not have an independent data to verify the DOR and B&P assumption. Therefore, Oversight will reflect the DOR & B&P adjusted amounts in the fiscal note effective FY 2026.

Additionally, Oversight notes DOR need additional FTE to administer this tax credit. Therefore, **Oversight** will reflect the cost for 3 FTE (Customer Service Representatives at $35,880 annually), in the fiscal note effective FY 2025.

Section 143.471 Bank S Corp Tax Credit Program

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

The Bank S Corp tax credit program provides a tax credit to shareholders of a bank S Corps as an adjustment to the corporate tax paid so as to not double tax them. The program does not currently have a cap.

This proposal adds a formula for setting a cap on this program starting January 1, 2025. The cap is to be 20% higher than the highest amount redeemed from FY 2018 to FY 2024.

The FY 2024 redemptions have not been received by DOR at this time. The FY 2024 redemptions should be filed between Jan 1st – April 15, 2024, for payments made during tax year 2023. It should be noted that a person can receive an extension to file until October 15, 2024, so DOR would be unable to calculate the impact until after that date.

This proposal says the new cap is to begin on January 1, 2025. DOR assumes that this new cap would be applicable to any new credits authorized as of that date and would not impact state revenue until the credits are claimed starting January 1, 2026.

For informational purposes, DOR is providing the amount of credits redeemed under this program.

Year	Total Redeemed
FY 2023	$1,208,213.44
FY 2022	$11,734,876.97
FY 2021	$2,534,411.81
FY 2020	$2,039,671.18
FY 2019	$8,396,967.00
FY 2018	$7,481,839.86
FY 2017	$9,016,754.99
FY 2016	$9,449,559.42
FY 2015	$6,298,017.54
FY 2014	$2,607,870.49
FY 2013	$4,533,836.55
FY 2012	$5,523,276.11
TOTALS	$70,825,295.39

At this time, DOR notes that the highest redemption from FY 2018 to FY 2023 is $11,734,877 and if the cap were set at 20% higher than that it would be $14,081,852. Since this proposal currently does not have a cap, then adding one that is higher than the current redemptions would not result in any additional fiscal impact.

It should be noted that the provision of this proposal says the credits are to be issued in the order they are claimed. DOR assumes that the Department would make sure to not issue tax credit certificates higher than the new cap.

This proposal adds a sunset clause to this program. There is no fiscal impact from adding the sunset clause to this credit. However, should this program actually be allowed to be sunset in the future, it would result in a savings to the State of up to the $14,081,852 the new annual cap on the program.

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

This proposal would place a cap on the amount of Bank Tax Credit for S-Corporations credits that may be redeemed each year. The new cap shall be 20% of the highest annual redemption amount between FY18 and FY24. B&P notes that FY24 redemptions are not yet known. B&P will use FY18 through FY23 redemptions to estimate an impact for this provision.

Based on expenditure data, the highest redemption amount was $11,734,877 in FY22. Therefore, the new credit limit would be $14,081,852. Because this sets a limit higher than actual redemptions, this provision will not impact TSR.

This proposal would add a sunset clause to the Bank Tax Credit for S-Corporations tax credit. The three-year average redemptions were $5,159,167 in FY21-FY23. Therefore, B&P estimates that if this credit is allowed to sunset, this could increase GR by $5,159,167 annually.

Oversight assumes this provision adds a formula based cap on the amount of tax credits issued for this program. Oversight assumes current redemptions are below the new cap; therefore, Oversight will not show an impact from this provision.

Oversight assumes this proposal would add a sunset clause to the Bank Tax Credit for S-Corporations tax credit. The three-year average redemptions were $5,159,167 in FY21-FY23. Oversight assumes this could increase GR by $5,159,167 annually after December 2030, if the program is allowed to sunset. For purposes of this fiscal note, Oversight will not show a savings from the sunset provision.

<u>Section 192.2015 Shared Care Tax Credit Program</u>

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

This proposal modifies the Shared Care Tax Credit program. This provides a tax credit to people providing care to an elderly person in their home. This credit does not have an annual cap. This proposal adds a sunset clause to this program. There is no fiscal impact from adding the sunset clause to a tax credit. However, should the tax credit actually be allowed to be sunset in the future, it would result in a savings to the State of an unknown amount.

This proposal adds a formula for setting a cap on this program starting January 1, 2025. The cap is to be 20% higher than the highest amount redeemed from FY 2018 to FY 2024.

The FY 2024 redemptions have not been received by DOR at this time. The FY 2024 redemptions should be filed between Jan 1st – April 15, 2024, for payments made during tax year 2023. It should be noted that a person can receive an extension to file until October 15, 2024, so DED would be unable to calculate the impact until after that date.

This proposal says the new cap is to begin on January 1, 2025. DOR assumes that this new cap would be applicable to any new credits authorized as of that date and would not impact state revenue until the credits are claimed starting January 1, 2026.

For informational purposes DOR is providing the amount of credits issued and redeemed for this credit.

Officials from the **Office of Administration – Budget & Planning (B&P)** note this proposal would place a cap on the amount of Shared Care credits that may be redeemed each year. The new cap shall be 20% of the highest annual redemption amount between FY18 and FY24. B&P notes that FY24 redemptions are not yet known. B&P will use FY18 through FY23 redemptions to estimate an impact for this provision.

Based on expenditure data, the highest redemption amount was $22,187 in FY21. Therefore, the new credit limit would be $26,624. Because this sets a limit higher than actual redemptions, this provision will not impact TSR.

This proposal would add a sunset clause to the Shared Care tax credit. The three-year average redemptions were $17,213 in FY21-FY23. Therefore, B&P estimates that if this credit is allowed to sunset, this could increase GR by $17,213 annually.

Oversight assumes this provision adds a formula based cap on the amount of tax credits issued for this program. Oversight assumes current redemptions are below the new cap; therefore, Oversight will not show an impact from this provision.

Oversight assumes this proposal would add a sunset clause to the Shared Care tax credit. The three-year average redemptions were $17,213 in FY21-FY23. Oversight assumes this could increase GR by $17,213 annually after December 2030, if the program is allowed to sunset. For purposes of this fiscal note, Oversight will not show a savings from the sunset provision.

<u>Section 148.030 – Bank Franchise</u>

Officials from the **Office of Administration - Budget and Planning** note:

This proposal would place a cap on the amount of Bank Franchise credits that may be redeemed each year. The new cap shall be 20% of the highest annual redemption amount between FY18 and FY24. B&P notes that FY24 redemptions are not yet known. B&P will use FY18 through FY23 redemptions to estimate an impact for this provision.

Based on expenditure data, the highest redemption amount was $4,347,236 in FY18. Therefore, the new credit limit would be $5,216,683. Because this sets a limit higher than actual redemptions, this provision will not impact TSR.

This proposal would add a sunset clause to the Bank Franchise tax credit. The three-year average redemptions were $616,513 in FY21-FY23. Therefore, B&P estimates that if this credit is allowed to sunset, this could increase GR by $616,513 annually.

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

The Bank Franchise tax credit program provides a tax credit to shareholders of a company as an adjustment to the corporate tax paid so as to not double tax them. The program does not currently have a cap.

This proposal adds a formula for setting a cap on this program starting January 1, 2025. The cap is to be 20% higher than the highest amount redeemed from FY 2018 to FY 2024.

The FY 2024 redemptions have not been received by DOR at this time. The FY 2024 redemptions should be filed between Jan 1st – April 15, 2024, for payments made during tax year 2023. It should be noted that a person can receive an extension to file until October 15, 2024, so DOR would be unable to calculate the impact until after that date.

This proposal says the new cap is to begin on January 1, 2025. DOR assumes that this new cap would be applicable to any new credits authorized as of that date and would not impact state revenue until the credits are claimed starting January 1, 2026.

For informational purposes, DOR is providing the amount of credits redeemed under this program.

Year	Total Redeemed
FY 2023	46,475.00
FY 2022	$1,803,178
FY 2021	$0
FY 2020	3,967,717.57
FY 2019	2,703,161.00
FY 2018	4,347,235.91
FY 2017	2,756,089.86
FY 2016	3,227,363.54
FY 2015	2,245,778.58
FY 2014	3,224,211.95
FY 2013	2,559,444.00
FY 2012	2,333,619.08
TOTALS	$28,883,487.92

At this time, DOR notes that the highest redemption from FY 2018 to FY 2023 is $4,347,236 and if the cap were set at 20% higher than that it would be $5,216,683. Since this proposal currently does not have a cap, then adding one that is higher than the current redemptions would not result in any additional fiscal impact.

It should be noted that the provision of this proposal says the credits are to be issued in the order they are claimed. DOR assumes that the Department would make sure not to issue tax credit certificates higher than the new cap.

This proposal adds a sunset clause to this program. There is no fiscal impact from adding the sunset clause to this credit. However, should this program actually be allowed to be sunset in the future, it would result in a savings to the State of up to the $5,216,683 the new annual cap on the program.

Oversight assumes this provision adds a formula based cap on the amount of tax credits issued for this program. Oversight assumes current redemptions are below the new cap; therefore, Oversight will not show an impact from this provision.

Oversight notes that the average redemption from FY 2012 thru FY 2023 was $2,434,523. Therefore, Oversight assumes there could be a savings to GR after December 2030 if the program is allowed to sunset. For purposes of this fiscal note, Oversight will not show a savings from the sunset provision.

Section 208.770 Family Development Account Tax Credit Program

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

This is the Family Development Account tax credit program that provides low-income Missourians a matched savings program for purchasing a home. The credit is 50% of the donated amount and this credit has a $300,000 cap.

This proposal adds a sunset clause to this program. There is no fiscal impact from adding the sunset clause to this credit. However, should this program actually be allowed to be sunset in the future, it would result in a savings to the State of up to the $300,000 annual cap on the program.

For informational purposes, DOR is providing the amount of credits issued and redeemed for this credit.

Year	Authorized	Issued	Total Redeemed
FY 2023	$0.00	$0.00	$0.00
FY 2022	$0.00	$0.00	$0.00
FY 2021	$0.00	$0.00	$0.00
FY 2020	$0.00	$8,414.00	$33,801.00
FY 2019	$0.00	$69,894.00	$46,816.00
FY 2018	$0.00	$8,924.00	$2,500.00
FY 2017	$75,000.00	$0.00	$0.00
FY 2016	$0.00	$0.00	$0.00
FY 2015	$0.00	$0.00	$0.00
FY 2014	$0.00	$0.00	$0.00
FY 2013	$0.00	$0.00	$0.00
FY 2012	$0.00	$10,615.73	$10,615.73
TOTALS	$75,000.00	$97,847.73	$93,732.73

Officials from the **Office of Administration – Budget & Planning (B&P)** note this proposal would add a sunset clause to the Family Development Account tax credit. The three-year average redemptions were $0 in FY21-FY23. Therefore, B&P estimates that if this credit is allowed to sunset, this could increase GR by $0 annually.

Officials from the **Department of Economic Development (DED)** assume the Section 208.770.7 adds a sunset date for Family Development Account program of 12/31/2030 if it is not reauthorized. Could be future cost savings if not reauthorized.

Oversight assumes there is no fiscal impact from this provision.

Section 348.505 Family Farm Breeding Stock Tax Credit Program

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

This is the family farm breeding stock tax credit program that gives a tax credit to banks who make loans to beginning farmers. The credit is equal to the interest on their loans. This program has a $300,000 cap.

This proposal adds a sunset clause to this program. There is no fiscal impact from adding the sunset clause to this credit. However, should this program actually be allowed to be sunset in the future, it would result in a savings to the State of up to the $300,000 annual cap on the program.

For informational purposes DOR is providing the amount of credits authorized, issued and redeemed for this credit.

Year	Authorized	Issued	Total Redeemed
FY 2023	$40,210.98	$22,196.99	$18,191.09
FY 2022	$16,936.36	$16,334.26	$24,021.17
FY 2021	$12,488.50	$2,429.88	$18,232.07
FY 2020	$26,849.87	$16,817.30	$9,636.08
FY 2019	$14,898.18	$39,235.88	$34,022.54
FY 2018	$42,093.03	$52,507.91	$106,558.44
FY 2017	$66,801.60	$70,892.19	$27,178.36
FY 2016	$72,855.33	$48,967.77	$35,495.50
FY 2015	$40,506.00	$39,309.78	$24,981.60
FY 2014	$39,423.64	$34,251.88	$22,770.02
FY 2013	$39,732.39	$35,044.24	$32,032.50
FY 2012	$31,328.73	$32,228.75	$53,947.47
TOTALS	$444,124.61	$410,216.83	$407,066.84

Officials from the **Office of Administration – Budget & Planning (B&P)** note this proposal would add a sunset clause to the Family Farm Livestock tax credit. The three-year average redemptions were $20,148 in FY21-FY23. Therefore, B&P estimates that if this credit is allowed to sunset, this could increase GR by $20,148 annually.

Oversight assumes this proposal adds a sunset clause to the Family Farm Livestock tax credit. The three-year average redemptions were $20,148 in FY21-FY23. Oversight assumes that if this credit is allowed to sunset, this could increase GR by $20,148 annually after December 2030. For purposes of this fiscal note, Oversight will not show a savings from the sunset provision.

Section 447.708 Brownfield Tax Credit Programs

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

This section sunsets the several brownfield tax credit programs. The Brownfield credits are issued to organizations that are cleaning up hazardous waste sites. There is no cap on the credits.

This proposal adds a sunset clause to theses program. There is no fiscal impact from adding the sunset clause to this credit. However, should these programs actually be allowed to be sunset in the future, it would result in savings to the State of over $21 million (the highest amount redeemed).

For informational purposes DOR is providing the amount of credits authorized, issued and redeemed for this credit.

Year	Authorized	Issued	Total Redeemed
FY 2023	$1,462,558.00	$1,159,254.20	$7,410,818.14
FY 2022	$0.00	$1,820,303.75	$3,192,241.11
FY 2021	$904,491.20	$11,156,257.48	$21,382,422.12
FY 2020	$12,188,931.00	$13,854,367.90	$9,645,097.05
FY 2019	$2,000,000.00	$15,475,687.72	$13,028,587.52
FY 2018	$10,167,653.00	$23,391,582.53	$3,159,639.24
FY 2017	$43,899,062.00	$3,705,982.09	$2,385,022.74
FY 2016	$557,548.00	$9,831,947.29	$11,205,913.79
FY 2015	$2,660,872.00	$1,634,971.01	$7,492,114.03
FY 2014	$0.00	$3,716,636.73	$5,354,818.52
FY 2013	$11,913,711.00	$9,851,350.41	$6,378,613.00
FY 2012	$3,234,873.00	$7,717,894.78	$16,967,399.84
TOTALS	$88,989,699.20	$103,316,235.89	$107,602,687.10

Officials from the **Office of Administration – Budget & Planning (B&P)** note this proposal would add a sunset clause to the Brownfield tax credits. B&P notes that the Brownfield Demolition credit has not had a redemption since FY09. The Brownfield Jobs and Investment credit has not had a redemption since FY15.

The three-year average redemptions were $10,661,827 for Brownfield Remediation credits in FY21-FY23. Therefore, B&P estimates that if this credit is allowed to sunset, this could increase GR by $10,661,827 annually.

Officials from the **Department of Economic Development (DED)** assume Section 447.708.13 adds a sunset date for Brownfield Redevelopment of 12/31/2030 if it is not reauthorized. Could be future cost savings if not reauthorized.

Oversight notes this proposal adds a sunset clause to this program; therefore, Oversight will note the average utilization in last 12 years as the potential savings of $8,239,572 to the general revenue fund after December 31, 2030 if the proposal were allowed to sunset. For purposes of this fiscal note, Oversight will not show a savings from the sunset provision.

<u>Bill as whole:</u>

Officials from the **Department of Revenue (DOR)** assume that changing these credits will result in additional computer programming changes, website changes, and changes to the MO-TC (tax credit) forms. These changes are estimated at $20,000.

Official from **Department of Social Services (DSS)** assume the Division of Finance and Administrative Services would require 2 FTE (Administrative Support Professional at $46,841) in order to perform the additional tax credit duties and administer the additional tax credits proposed in this bill due to the changes in Section(s) 135.339, 135.341, 135.562, and 135.647.

Oversight notes the DSS assume the need for 2 FTE in order to properly comply and administer all of the changes specified in this proposal. Therefore, Oversight will reflect DSS FTE in the fiscal note effective FY 2025.

Officials from the **Missouri Department of Agriculture (MDA)** assume that MASBDA currently does not receive any General Revenue or Federal funds to administer any programs. All revenues are fees based which pay for administrative costs. States Section 348.080 gives MASBDA the authority to collect fees and charges, as the authority determines to be reasonable, in connection with its loans, advances, insurance, commitments, and servicing. Each grant program has a bank account set up for all administrative/program activities.

The .40 FTE personnel salary costs included in this aren't FTE MDA need, only the funding that would be required to support our 5 current employees who administer these tax credit programs. These staff are currently administering 20 active programs also.

While this legislation moves some of these tax credits programs to the Department of Agriculture, information/reports that MDA would need would still be required from DOR and DNR in order for us to administer them. MDA would also have an additional fiscal impact if the Department will be responsible for the tax credit refund process, although our assumption is that DOR will administer that piece.

MDA's assumption is the supporting role of the Weights & Measures division to validate the biodiesel blend a retail dealer claim's is accurate will require limited compliance checks & the cost can be absorbed by MDA. However, if the assumption is incorrect and the requirement for a more stringent proof of compliance is required, then there would likely be an additional impact for the Weights and Measures Division.

Oversight notes the MDA assumes the need for an additional 2 FTE in order to support current 5 FTE staff to administer and maintain the current tax credits, specifically Section(s) 135.772; 135.775, 135.778; 135.700; and 348.505. Therefore, Oversight will note the MDA 2 FTE (Senior AG Marketing Specialist $54,138 and Accountant at $54,138) in the fiscal note effective FY 2025.

Officials from the **Department of Commerce and Insurance (DCI)** note:

<u>Sections 100.286-100.850, 135.460, 135.550, 135.600, 135.630, & 208.770-447.708:</u>
A potential unknown positive fiscal impact on premium tax revenues (up to the tax credit limit established in the bill) after 2030 as a result of the modification to sunset provisions of various tax credits.

<u>Sections 135.110 and 135.1125:</u>
A potential unknown negative fiscal impact on premium tax revenues (up to the tax credit limit established in the bill) as a result of the modification to the cap amounts of credits.

<u>Sections 135.1150, 135.1180, 143.471, & 148.030:</u>
A potential unknown negative fiscal impact on premium tax revenues (up to the tax credit limit established in the bill) as a result of the modification to the cap amounts of credits.

In addition, a potential unknown positive fiscal impact on premium tax revenues (up to the tax credit limit established in the bill) after 2030 as a result of the modification to sunset provisions of various 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 throughout 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 and which insurers will qualify for the modified tax credits.

Oversight notes that DCI notes a potential unknown positive fiscal impact on premium tax revenues (up to the tax credit limits establish in the proposal) due the sunset provision changes. Additionally, DCI notes the 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.

Oversight assumes 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.

Officials from the **Department of Health and Senior Services**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Public Safety – Fire Safety**, the **Department of Public Safety – Capitol Police**, the **Department of Public Safety - State Emergency Management Agency**, the **Missouri Department of Transportation**, and the **Missouri Department of Conservation** each assume the proposal will have no fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact in the fiscal note for above respective organizations.

Officials from the **City of Kansas City**, the **Phelps County Sheriff** and the **City of Osceola** both assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for above respective organizations.

Officials from the **Oversight Division** state Oversight is responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, Oversight assumes it will be able to absorb the cost with the current budget authority

<u>Rule Promulgation</u>

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.

FISCAL IMPACT – State Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE FUND			
Cost Avoidance – Section 143.177 MO Family Working Tax Credit Act- Addition of Cap - p. 40-41	$0	$12,071,083	$13,171,451
Costs – DSS – DFAS changes in Section(s) 135.339, 135.341, 135.562, and 135.647 p.50			
Personnel Service	($78,068)	($94,618)	($95,564)
Fringe Benefits	($55,291)	($66,712)	($67,079)
Expense & Equipment	($43,586)	($25,018)	($25,644)
Total Costs – DSS	($176,944)	($186,348)	($188,286)
FTE Change	2 FTE	2 FTE	2 FTE
Costs – MDA –support FTE for changes in Section(s) 135.772; 135.775, 135.778; 135.700; and 348.505 - p.50			
Personnel Service	($125,322)	($127,829)	($130,385)
Fringe Benefits	($84,620)	($85,592)	($86,583)
Expense & Equipment	($39,359)	($11,233)	($11,458)
Total Costs – MDA	($249,302)	($224,654)	($228,426)
FTE Change	2 FTE	2 FTE	2 FTE
Costs – DPS (DO) – FTE for changes in Section(s) 135.090 – Officer Surviving Spouse – p.11			
Personnel Service	($57,260)	($70,086)	($71,488)
Fringe Benefits	($34,710)	($42,184)	($42,728)
Expense & Equipment	($4,826)	($1,302)	($1,328)
Total Costs – DPS-DO	($96,796)	($113,573)	($115,544)
FTE Change	1 FTE	1 FTE	1 FTE
Costs – DED – FTE for changes in Section(s) 135.490 and 135.562 – p.23			
Personnel Service	($62,220)	($76,157)	($77,680)
Fringe Benefits	($14,201)	($44,538)	($45,128)
Expense & Equipment	($19,121)	($6,022)	($6,143)
Total Costs – DED	($95,542)	($126,717)	($128,951)
FTE Change	1 FTE	1 FTE	1 FTE

FISCAL IMPACT – State Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
Costs – DOR – FTE for changes in Section(s) – Office143.177 MO Family Tax Credit	Up to..	Up to..	Up to..
Personnel Service	($89,700)	($109,793)	($111,989)
Fringe Benefits	($71,688)	($86,810)	($87,612
Expense & Equipment	($39,933)	($1,711)	($1,745)
Total Costs – DOR p.42	($201,321)	($198,314)	($201,346)
FTE Change	3 FTE	3 FTE	3 FTE
DOR - ITSD and Form Changes for all above Section(s) p.49	($20,000)	$0	$0
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**Up to ($862,336)**	**Could exceed $11,221,478**	**Could exceed $12,394,699**
Estimated Net FTE Change on General Revenue	Up to 9 FTE	Up to 9 FTE	Up to 9 FTE

FISCAL IMPACT – Local Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
	$0	**$0**	**$0**

FISCAL IMPACT – Small Business

A direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill modifies the status of certain existing tax credits. Such modifications include:

(1) Removing certain tax credits that are currently administered by the Department of Revenue (DOR), and placing those tax credits in a different agency. Such tax credits would include:

(a) Surviving Spouses of Public Safety Officers Tax Credit, moved from DOR to the Department of Public Safety;

(b) Adoption Tax Credit, moved from DOR to the Department of Social Services (DSS);

(c) Champion for Children Tax, moved from DOR to DSS;

(d) ADA Access, Expenditures by Small Businesses Tax Credit, moved from DOR to the Department of Economic Development (DED);

(e) Residential Renovations for Disability Tax Credit, moved from DOR to DED;

(f) Donated Food Tax Credit, moved from DOR to DSS;

(g) High Ethanol Blend Seller Tax Credit, moved from DOR to the Department of Agriculture (MDA);

(h) Biodiesel Blend Seller Tax Credit, moved from DOR to MDA; and

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

(i) Biodiesel Blend Producer Tax Credit, moved from DOR to MDA.

(2) Applying a sunset provision to those tax credits that currently lack such provision. Such tax credits include:

(a) Neighborhood Assistance Tax Credit;

(b) Affordable Housing Tax Credit;

(c) Missouri Development Finance Board Tax Credit;

(d) Missouri Development Finance Board (revenue bonds or notes) Tax Credit;

(e) Business Use Incentives for Large-Scale Development Tax Credit:

(f) Adoption Tax Credit;

(g) Investments in Missouri Small Businesses Tax Credit;

(h) Youth Opportunities and Violence Prevention Tax Credit;

(i) Rehabilitation and Construction of Residences in Distressed Communities and Census Blocks Tax Credit;

(j) ADA Access, Expenditures by Small Businesses Tax Credit;

(k) Contributions to Shelters for Victims of Domestic Violence or Rape Crisis Centers Tax Credit;

(l) Contributions to Maternity Homes Tax Credit;

(m) Contributions to Pregnancy Resource Centers Tax Credit;

(n) Community-Based Faculty Preceptor Tax Credit;

(o) Grape and Wine Producers Tax Credit;

(p) Missouri Empowerment Scholarship Accounts Program Tax Credit;

(q) Residential Treatment Agency Tax Credit;

(r) Developmental Disability Care Provider Tax Credit;

(s) Missouri Working Family Tax Credit;

(t) S Corp Banks, Associations, and Credit Institutions Tax Credit;
(u) Bank Franchise Tax Credit;

(v) Shared Care Giver Tax Credit;

(w) Family Development Account Tax Credit;

(x) Family Farm Breeding Tax Credit; and the

(y) Brownfield Redevelopment Program Tax Credit.

(3) Placing a maximum cap on those tax credits that currently lack such a provision. Such tax credits include:

(a) Advanced Industrial Manufacturing Tax Credit;

(b) Surviving Spouses of Public Safety Officers Tax Credit;

(c) New or Expanded Business Facility Tax Credit;

(d) ADA Access, Expenditures by Small Businesses Tax Credit;

(e) Grape and Wine Producers Tax Credit;

(f) Unmet Health, Hunger, and Hygiene Needs of Children in School Tax Credit;

(g) Residential Treatment Agency Tax Credit;

(h) Developmental Disability Care Provider Tax Credit;

(i) Rolling Stock Tax Credit;

(j) Self-Employed Health Insurance Tax Credit;

(k) Missouri Working Family Tax Credit;

(l) S Corp Banks, Associations, and Credit Institutions Tax Credit;

(m) Bank Franchise Tax Credit;

(n) Shared Care Giver Tax Credit; and the

(o) Brownfield Redevelopment Program Tax Credit.

SOURCES OF INFORMATION

Office of Administration – Budget & Planning
Department of Revenue
Department of Economic Development
Department of Social Services
Department of Commerce and Insurance
Missouri Department of Agriculture
Department of Health and Senior Services
Department of Mental Health
Department of Natural Resources
Department of Public Safety – Fire Safety
Department of Public Safety – Capitol Police
Department of Public Safety - State Emergency Management Agency
Missouri Department of Transportation
Missouri Department of Conservation
City of Kansas City
Phelps County Sheriff
City of Osceola
Joint Committee on Administrative Rules
Oversight Division

Julie Morff
Director
January 30, 2024

Ross Strope
Assistant Director
January 30, 2024

BB:LR:OD