

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0191H.01I
Bill No.: HB 324
Subject: Tax Credits; Taxation and Revenue - General; Department of Revenue; Food;
Charities
Type: Original
Date: December 23, 2024

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

FISCAL SUMMARY

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

* Oversight reflects the increase in the program cap for FY 2026 and FY 2027 from \$1.75 million to \$3 million. Additionally, Oversight reflects the full cap of \$3 million in FY 2028 from the extension of the sunset date (from December 31, 2026 to December 31, 2031).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

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

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

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

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

This proposal would increase the annual limit for the food pantry tax credit from \$1,750,000 to \$3,000,000. B&P notes that this proposal would become effective August 28, 2025. Therefore, B&P assumes that the increase cap would begin in FY26, for tax year 2025. This proposal would also increase the sunset date from 2026 to 2031.

B&P notes that redemptions for the past four fiscal years (FY21 through FY24) have been at the annual limit. Therefore, B&P estimates that this proposal may decrease TSR and GR by \$1.3 million annually beginning in FY25.

In addition, this proposal would waive any addition to tax, interest, and penalties on taxes due because of tax credits being apportioned, if the resulting tax due is paid within 60 days. B&P notes that this would only apply to tax credits that are apportioned among taxpayers, in the event that redemptions are greater than the amount allowed per statute or appropriation.

B&P notes that currently taxpayers are encouraged to remit their full tax liability, calculated before a tax credit, in the event that their tax credit claim is denied. However, for those taxpayers that do not remit the full amount and end up with a tax due notice, interest and penalties are currently levied on the overdue amount.

Based on information provided by DOR, this provision could reduce TSR by an unknown, likely minimal, amount.

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

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

Year	Issued	Total Redeemed
FY 2024	\$1,749,996.00	\$1,749,996.00
FY 2023	\$1,749,990.00	\$1,749,990.00
FY 2022	\$1,749,992.00	\$1,749,992.00

FY 2021	\$1,749,992.00	\$1,749,992.00
FY 2020	\$1,131,882.00	\$1,131,882.00
FY 2019	\$1,380,894.00	\$1,380,894.00
FY 2018	\$1,679,924.00	\$1,679,924.00
FY 2017	\$1,584,566.00	\$1,584,566.00
FY 2016	\$1,155,480.00	\$1,155,480.00
FY 2015	\$1,118,866.00	\$1,118,866.00
FY 2014	\$840,234.00	\$840,234.00
FY 2013	\$72,822.00	\$72,822.00
FY 2012	\$796,156.10	\$796,156.10

Currently, with the apportionment of the credit some taxpayers end up with a balance due. When that happens, DOR notifies the taxpayer and penalties, and interest are owed. This proposal adds language that would allow DOR to not assess penalties and interest if the balance due deficiency is paid within 60 days of notification of the apportionment.

This proposal also extends the sunset on the tax credit another year to 2031.

Since this is an existing credit DOR already has the forms and procedures in place. DOR will need to update the computer programming for the new cap which is estimated at \$1,832.

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

Oversight notes this tax credit allows local food-pantries, or local soup kitchens, to receive donations from various taxpayers.

Oversight shows the DOR data regarding the Food Pantry Tax Credit FY 2020 to 2023 below:

	FY 2020 ACTUAL	FY 2021 ACTUAL	FY 2022 ACTUAL	FY 2023 ACTUAL
Certificates Issued (#)	0	0	0	0
Projects/Participants (#)	1,493	3,183	3,195	3,969
Amount Authorized	\$0	\$0	\$0	\$0
Amount Issued	\$0	\$0	\$0	\$0
Amount Redeemed	\$1,131,882	\$1,749,992	\$1,749,992	\$1,749,990

Form 14.

Oversight notes the proposal, Section 135.647.3, allows for an increase in the Food Pantry Tax Credit authorization cap for up to \$3,000,000 (from current \$1,750,000) annually. Therefore, Oversight will reflect potential impact of up to \$1,250,000 in the fiscal note as of FY 2026.

Oversight notes this section currently allows this tax credit to sunset as of December 31, 2026; however, this proposal extends it to December 31, 2031 (FY 2032). Therefore, **Oversight** will reflect the potential full impact of the tax credit cap in FY 2028 (\$3 million) in continued costs to general revenue.

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

Rule Promulgation

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

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

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

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

FISCAL IMPACT – Small Business

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

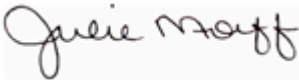
FISCAL DESCRIPTION

Currently, the cumulative amount of tax credits which may be allocated to all taxpayers contributing to a local food pantry is \$1.75 million. This increases the amount to \$3 million and extends the sunset from December 31, 2026 to December 31, 2031.

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

SOURCES OF INFORMATION

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



Julie Morff
Director
December 23, 2024



Jessica Harris
Assistant Director
December 23, 2024