

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1798H.011
Bill No.: HB 682
Subject: Tax Credits; Taxation and Revenue - Income; Taxation and Revenue - General;
Department of Revenue; Charities
Type: Original
Date: March 9, 2025

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue Fund*	Could exceed (\$4,685,502)	Could exceed (\$4,685,502)	Could exceed (\$4,685,502)
Total Estimated Net Effect on General Revenue	Could exceed (\$4,685,502)	Could exceed (\$4,685,502)	Could exceed (\$4,685,502)

*Oversight reflects the reduction in GR due to changes in Section(s) 32.115 & 135.460, increasing the redemption percentage from current percentages up to 70%. Oversight notes the overall changes will not have an effect beyond currently established maximum cap(s) for the impacted tax credits.

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

Section 32.115 - Neighborhood Assistance Program

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

This proposal would increase the value of the neighborhood assistance tax credits to 70% of each contribution. B&P notes that the three-year average redemption amount for neighborhood assistance was \$8,786,859 from FY22 - FY24. B&P further notes that had the tax credits been set at 70% of donations, redemptions would have been \$12,301,602 for neighborhood assistance. Therefore, this provision could reduce GR by \$3,514,743 annually beginning in FY26.

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

Neighborhood Assistance Tax Credit Program

This proposal also changes the Neighborhood Assistance Tax Credit program. The Neighborhood Assistance Tax Credit program has a \$16 million cap with the credit based on 50% of the contribution made. For informational purposes DOR is providing the amount authorized, issued and redeemed for this credit.

Year	Authorized	Issued	Total Redeemed
FY 2024	\$12,804,707.00	\$10,200,112.00	\$9,185,734.75
FY 2023	\$15,028,834.00	\$12,330,085.00	\$9,107,306.80
FY 2022	\$12,673,134.00	\$11,113,005.75	\$8,067,535.14
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	\$14,831,654.17
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

This proposal increases the percentage of the contribution from 50% to 70% for the amount of the tax credit a person receives. An increase of \$3,514,744. It is unclear if this would encourage more taxpayers to contribute and claim the tax credit. The three-year average of the redemptions of the program has been \$8,786,859. However, since this program has an annual cap, it is not expected to result in any additional impact to the state.

Officials from the **Department of Economic Development (DED)** assume the proposal will have no fiscal impact on their organization.

Oversight notes the NAP program expenditures as follows:

	FY 2022 ACTUAL	FY 2023 ACTUAL	FY 2024 ACTUAL
Certificates Issued (#)	1,371	1,387	1,245
Projects/Participants (#)	65	71	66
Amount Authorized	\$12,673,134	\$15,028,834	\$12,804,707
Amount Issued	\$11,113,006	\$12,330,085	\$10,200,112
Amount Redeemed	\$8,067,535	\$9,107,307	\$9,185,734

DED Form 14

Oversight notes the 3-year average redemption was \$8,786,859 at 50% contribution tax credit.

Oversight notes the 70% contribution tax credit would have allowed for a total of \$12,301,602 in the same period.

Oversight notes the difference between 50% and 70% contribution redemption would total to \$3,514,743 (\$12,301,602 - \$8,786,859).

Oversight notes this proposal does not change the \$16 million maximum cap for NAP, instead increases the percentage of the contribution from 50% to 70% for the tax credit. This will allow for those who claim the tax credit to receive a greater amount of funds but will not affect the overall maximum available cap, under the proposal.

Therefore, for the purpose of this fiscal note, **Oversight** will reflect only the credit difference of \$3,514,743 to the general revenue in the fiscal note.

Section 135.460 – Youth Opportunities Tax Credit

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

This proposal would increase the value of the Youth Opportunities Tax Credit to 70% of each contribution. B&P notes that the three-year average redemption amount was \$4,097,655 from FY22 – FY24. B&P further notes that had the tax credits been set at 70% of donations, redemptions would have been \$4,685,502. Therefore, B&P estimates that this provision could reduce GR by \$1,170,759 annually beginning in FY26.

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

This proposal also changes the Youth Opportunities Tax Credit program. The Youth Opportunities tax credit program has a \$6 million cap with the credit based on 50% of the contribution made. For informational purposes DOR is providing the amount authorized, issued and redeemed for this credit.

Year		Issued	Total Redeemed
FY 2024	\$9,756,101.00	\$4,706,331.00	\$3,468,054.65
FY 2023	\$2,247,858.00	\$4,139,385.00	\$2,987,947.79
FY 2022	\$5,706,067.00	\$3,039,904.00	\$2,324,687.48
FY 2021	\$5,288,870.00	\$1,983,794.00	\$4,084,410.34
FY 2020	\$1,212,623.00	\$4,086,770.50	\$5,217,305.77
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	\$5,451,135.04
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

This proposal increases the percent of the contribution from 50% to 70% for the amount of the tax credit a person receives. An increase of \$1,170,759. It is unclear if this would encourage more taxpayers to contribute and claim the tax credit. The three-year average of the redemptions of the program has been \$2,926,897. However, since this program has an annual cap, it is not expected to result in any additional impact to the state.

Oversight notes the YOP is a contribution tax credit program, which broadens and strengthens opportunities for positive development and participation in community life for youth and discourages criminal and violent behavior. Individuals, businesses, and corporations having tax liability in Missouri are eligible to receive tax credits for qualified donations to approved YOP projects.

Oversight notes the 3-year average redemption was \$2,926,897 (rounded to nearest dollar) at 50% contribution percentage tax credit.

Oversight notes the 70% contribution tax credit would allow for a total of \$4,097,655 in the same period.

Oversight notes that the difference between 50% and 70% contribution redemption would total to \$1,170,759 (\$4,097,655 - \$2,926,897).

Oversight notes this proposal does not change the \$6 million maximum YOP cap, instead it increases the percentage of the contribution from 50% to 70% for the amount of the tax credit. This will allow for those who claim the tax credit receive greater amount of funds, but will not affect the overall maximum cap available under the proposal.

Therefore, for the purpose of this fiscal note, **Oversight** will reflect only the credit difference of \$1,170,759 to the general revenue in the fiscal note for the YOP tax credit.

Overall bill:

Officials from the **DOR** assume the Department will need to update their computer programs (1,832) and forms (\$2,200) for each credit. DOR estimates the total cost of the changes at \$8,604.

Oversight notes DOR requests a one-time cost for form and computer updates to comply with the proposed language; however, Oversight notes that DOR receives appropriation for routine updates and will not show those costs in the fiscal note.

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 FUND			
<u>Revenue Reduction</u> – Section 32.100 – 32.125 – Neighborhood Assistance Program NPA (change in credit from 50% to 70%) p.7	Could exceed (\$3,514,743)	Could exceed (\$3,514,743)	Could exceed (\$3,514,743)
<u>Revenue Reduction</u> – Section 135.460 – Youth Opportunity Program YOP (change in credit from 50% to 70%) p.9	<u>Could exceed</u> (\$1,170,759)	<u>Could exceed</u> (\$1,170,759)	<u>Could exceed</u> (\$1,170,759)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>Could exceed</u> (\$4,685,502)	<u>Could exceed</u> (\$4,685,502)	<u>Could exceed</u> (\$4,685,502)

<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

Small businesses that qualify for the credit may be positively impacted as a result of this proposal.

FISCAL DESCRIPTION

This act modifies provisions relating to benevolent tax credits.

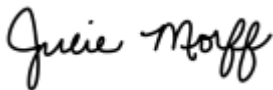
Currently, qualified taxpayers may take a tax credit equal to 50% of a contribution made towards the physical revitalization, economic development, job training, or education for individuals, community services, and crime prevention under the Neighborhood Assistance Act. This bill increases the tax credit to 70% of such contributions.

Currently, qualified taxpayers may take a tax credit equal to 50% of contributions made to certain youth programs under the Youth Opportunities and Violence Prevention Tax Credit Act. This bill increases the tax credit to 70% of such contributions.

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
Department of Economic Development
Department of Commerce and Insurance
Office of the Secretary of State
Joint Committee on Administrative Rules



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Director
March 9, 2025



Jessica Harris
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March 9, 2025