

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2353H.02C  
Bill No.: HCS for HB 1176  
Subject: Tax Credits; Taxation and Revenue - Income; Taxation and Revenue - General;  
Department of Revenue; Charities  
Type: Original  
Date: March 12, 2025

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Bill Summary: This proposal modifies provisions relating to income tax credits for contributions to pregnancy resource centers, maternity homes, and diaper banks.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
General Revenue Fund*	\$0	(\$4,394,846)	(\$4,394,846)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>(\$4,394,846)</b>	<b>(\$4,394,846)</b>

\*Oversight reflects the difference between the current 70% and proposed 100% in contribution tax credits available to taxpayers beginning in FY 2027 for all pregnancy resource centers, maternity homes, and diaper banks tax credits.

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

Numbers within parentheses: () indicate costs or losses.

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

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

- ☒ 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.

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

## **FISCAL ANALYSIS**

### **ASSUMPTION**

#### **Section 135.600 Maternity Home Tax Credit**

Officials from the **Department of Revenue (DOR)** assume this proposal modifies the Maternity Home tax credit program. The Maternity Home Tax Credit program gives a taxpayer who contributes to a maternity home a tax credit equal to 70% of the contribution amount.

This tax credit was created in 1997 and given a \$2 million cap. The cap was raised to \$2.5 million in 2014 and was raised again to \$3.5 million in 2021. The cap was removed starting July 1, 2022.

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

Year	Issued	Total Redeemed
FY 2024	\$5,224,936.69	\$3,656,629.17
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	\$2,098,721.06
FY 2017	\$2,482,713.51	\$2,422,510.02
FY 2016	\$2,499,405.47	\$1,657,322.88
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

This proposal increases the percentage of the contribution from 70% to 100% for the amount of the tax credit a person receives. An increase of \$1,268,416. 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 \$2,959,638. Since this program does not have an annual cap, it is expected to result in additional impact to the state.

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this proposal would increase the contribution percentage granted for the maternity home tax credit starting with fiscal year 2026. Currently a tax credit is granted for 70% of a donation, with no limit on

the amount authorized, issued, or redeemed. Under this proposal a tax credit would be granted for 100% of a donation.

In FY24, \$3,656,629 was redeemed for this tax credit program. Based on this, B&P estimates that there were \$5,223,756 in qualifying donations. Therefore, B&P estimates that provision would have resulted in additional credits of \$1,567,127 (\$5,223,756 new credits - \$3,656,629 existing credits) starting with fiscal year 2026.

**Oversight** notes the proposal allows for 100% contribution tax credit amount against the taxpayer's tax liability.

Oversight notes the average 3-year redemption below:

Year	Redemption (rounded to near \$)
2024	\$3,656,629
2023	\$2,987,536
2022	\$2,234,748
Average	<b>\$2,959,638</b>

**Oversight** notes, per Section 135.600. 6., the tax credit maximum cap was removed for any claims on or after July 1, 2022.

**Oversight** notes the \$2,959,638 redemption total at 70% would equal \$4,228,054 at 100% (\$2,959,638 / .70). The increase is estimated at \$1,268,416 (\$4,228,054 - \$2,959,638). Therefore, Oversight will note the estimated average difference of \$1,268,416 beginning FY 2027 and thereafter in the fiscal note.

### **Section 135.621 Diaper Bank Tax Credit**

Officials from the **Department of Revenue (DOR)** assume this proposal modifies the diaper bank tax credit program. The credit sunset December 31, 2024.

DOR notes this program was adopted in 2018 and had a cap of \$500,000 annually. No changes have been made to the program since it started. For informational purposes, DOR is showing the issuances and redemptions over the course of the tax credit.

Year	Authorized	Issued
FY 2024	\$173,152.90	\$173,152.90
FY 2023	\$136,018.86	\$136,018.86
FY 2022	\$182,018.00	\$182,018.00
FY 2021	\$189,453.90	\$189,453.90
FY 2020	\$189,628.19	\$189,628.19
FY 2019	\$0.00	\$0.00
FY 2018	\$0.00	\$0.00

This proposal would be restarting the program which would result in a cost of \$500,000 annually. Additionally, it would require us to update our computer program at a cost of \$1,832.

This proposal also increases the percent of the contribution from 70% to 100% for the amount of the tax credit a person receives. An increase of \$64,021. 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 \$149,382. Since this program has an annual cap, it is not expected to result in any additional impact to the state.

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this proposal would restart the diaper bank credit and increase the percentage granted for the tax credit beginning with fiscal year 2026. Currently (pre-sunset) the tax credit was granted for 50% of a donation, with up to \$500,000 in credits claimed per fiscal year.

In FY24, \$175,525 was redeemed for this tax credit program. Based on this, B&P estimates that there were \$351,050 in qualifying donations. Therefore, B&P estimates that this provision could result in total tax credits of \$351,050 starting with fiscal year 2026.

**Oversight** notes the proposal allows for 100% contribution tax credit amount against the taxpayer's tax liability.

**Oversight**, for the purpose of the fiscal note, provides redemption amounts for FY 22-24 below:

Year	Redemption (rounded to near \$)
2024	\$175,252
2023	\$150,010
2022	\$137,331
Average	<b>\$154,198</b>

**Oversight** notes average redemptions totaled \$154,198 at 70% of the contribution and would equal \$220,282 at 100% ( $\$154,198 / .70$ ). The increase is estimated at \$66,085 ( $\$220,282 - \$154,198$ ). Therefore, Oversight will reflect the estimated average difference of \$66,085 beginning FY 2027 and thereafter in the fiscal note.

### **Section 135.630 The Pregnancy Resource Center Tax Credit**

Officials from **Department of Revenue (DOR)** assume this proposal changes the Pregnancy Resource Center Tax Credit program. The Pregnancy Resource Center Tax Credit program gives a taxpayer who makes a contribution to a pregnancy resource center a tax credit equal to 70% of the contribution amount.

This tax credit was created in 2006 and given a \$2 million cap. The cap was raised to \$2.5 million in 2014 with it raised to \$3.5 M in 2018. The cap was removed starting July 1, 2021.

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

Year	Issued	Total Redeemed
FY 2024	\$11,245,025.24	\$7,533,879.98
FY 2023	\$10,098,879.47	\$8,131,329.41
FY 2022	\$10,910,488.95	\$5,757,203.91
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

This proposal increases the percent of the contribution from 70% to 100% for the amount of the tax credit a person receives. An increase of \$3,060,345. 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 \$7,140,804. Since this program does not have an annual cap, it is expected to result in additional impact to the state.

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this proposal would increase the contribution percentage granted for the pregnancy resource tax credit starting with tax year 2026. Currently a tax credit is granted for 70% of a donation, with no limit on the amount authorized, issued, or redeemed. Under this proposal a tax credit would be granted for 100% of a donation.

In FY24, \$7,533,880 was redeemed for this tax credit program. Based on this, B&P estimates that there were \$10,762,686 in qualifying donations. Therefore, B&P estimates that provision would have resulted in additional credits of \$3,228,806 (\$10,762,686 new credits - \$7,533,880 existing credits) starting with tax year 2026.

B&P notes that while this proposal would begin for tax year 2026, the increased donations would not be taken until taxpayers file their annual return during FY27. Therefore, this proposal could reduce TSR and GR by \$3,228,806 annually beginning in FY27.

**Oversight** notes the proposal allows for 100% contribution tax credit amount against the taxpayer's tax liability.

Oversight notes the average 3-year redemption below:

Year	Redemption
2024	\$7,533,880
2023	\$8,131,329
2022	\$5,757,204
Average	<b>\$7,140,804</b>

**Oversight** notes per Section 135.630 6., as of July 1, 2021, the maximum cap is unlimited.

**Oversight** notes the \$7,140,804 redemption total at 70% would equal \$10,201,149 at 100% (\$7,140,804 / .70). The increase is estimated at \$3,060,345 (\$10,201,149 - \$7,140,804). Therefore, Oversight will note the estimated average difference of \$3,060,345 beginning FY 2027 and thereafter in the fiscal note.

Overall bill:

Officials from the **Department of Revenue (DOR)** assume the need for an update to the Departments computer programs (\$1,832) and forms (\$2,200) for each credit. The DOR estimates the total cost of the changes at \$12,096.

**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.

In response to the previous version of the bill, officials from the **Department of Social Services (DSS)** assume the proposal will have no fiscal impact on their respective organizations.

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

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

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<b>GENERAL REVENUE</b>			
<u>Costs</u> – Section 135.600 Maternity Home Tax Credit	\$0	(\$1,268,416)	(\$1,268,416)
<u>Costs</u> – Section 135.621 Diaper Bank Tax Credit	\$0	(\$66,085)	(\$66,085)
<u>Costs</u> – Section 135.630 Pregnancy Resource Center Tax Credit	<u>\$0</u>	<u>(\$3,060,345)</u>	<u>(\$3,060,345)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b><u>(\$4,394,846)</u></b>	<b><u>(\$4,394,846)</u></b>

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

#### FISCAL IMPACT – Small Business

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

#### FISCAL DESCRIPTION

Currently, a taxpayer may be allowed a tax credit in an amount equal to 70% towards a contribution to a pregnancy resource centers, maternity homes, and diaper banks. Beginning January 1, 2026, the tax credit increases to 100%.

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 the Secretary of State  
Joint Committee on Administrative Rules  
Oversight Division  
Department of Health and Senior Services



Julie Morff  
Director  
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Jessica Harris  
Assistant Director  
March 12, 2025