

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3137H.01I
Bill No.: HB 1522
Subject: Tax Credits; Taxation and Revenue - Sales and Use; Department of Revenue;
Taxation and Revenue - General; Charities
Type: Original
Date: March 30, 2025

Bill Summary: This proposal modifies provisions of the Diaper Bank Tax Credit.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue*	Could Exceed (\$149,382)	Could Exceed (\$149,382)	Could Exceed (\$149,382)
Total Estimated Net Effect on General Revenue	Could Exceed (\$149,382)	Could Exceed (\$149,382)	Could Exceed (\$149,382)

*Oversight notes the totals above represent the extension of the sunset for Section 135.621 (Diaper Bank Tax Credit), based on the average redemptions. The maximum cap for this tax credit is set at \$500,000.

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 135.621 – Diaper Bank Tax Credit

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this proposal would restart this tax credit, keeping the current annual redemption limit of \$500,000. Therefore, B&P estimates that this provision could reduce TSR and GR by \$175,525 to \$500,000 per year starting FY26.

Officials from the **Department of Revenue (DOR)** assume this proposal modifies the diaper bank tax credit program. The credit sunset December 31, 2024. This proposal would extend the sunset date until six years from August 28, 2025.

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 DOR to update the Department's computer program at a cost of \$1,832.

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

Oversight notes the following for the Diaper Bank Tax Credit:

Year	Authorized	Issued	Redeemed
FY 2024	\$173,153	\$173,153	\$175,525
FY 2023	\$136,019	\$136,016	\$150,010
FY 2022	\$182,018	\$182,018	\$122,611
FY 2021	\$189,454	\$189,454	\$137,331
FY 2020	\$189,628	\$189,628	\$40,082

*Source: Tax Credit Analysis Forms – January 2025 submission

Oversight notes this proposal extends the sunset date for this program. The average, based on the three-year tax credit redemption, was \$149,382 ($\$175,525 + \$150,010 + \$122,611 / 3$), rounded to nearest dollar, for FY 2022 to FY 2024.

Oversight notes this section currently allows sunset as of December 31, 2024; however, this proposal extends the sunset to December 31, 2031 (FY 2032). Therefore, Oversight will reflect a cost that could exceed the average redemption total of \$149,382, in continued costs, to general revenue in FY 2026 and thereafter.

Officials from the **Department of Social Services (DSS)** 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 these agencies.

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			
<u>Costs - §§135.621 – Diaper Bank Tax Credit p.3</u>	Could Exceed <u>(\$149,382)</u>	Could Exceed <u>(\$149,382)</u>	Could Exceed <u>(\$149,382)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	Could Exceed <u>(\$149,382)</u>	Could Exceed <u>(\$149,382)</u>	Could Exceed <u>(\$149,382)</u>

<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

This bill reauthorizes the provisions of the "Diaper Bank Tax Credit" by extending the sunset date to December 31, 2031.

The bill expands the definition of a "diaper bank" by meeting the following criteria:

- (1) The diaper bank collects, purchases, warehouses, and manages a community inventory of disposable diapers;
- (2) The diaper bank regularly distributes a consistent and reliable supply of diapers; and
- (3) The diaper bank is either a member of a national network organization serving all 50 states through which certification demonstrates nonprofit best practices, data-driven program design, and equitable distribution that focuses on best serving infants, children, and incontinent adults, or has received tax credits under the provisions of this bill prior to December 31, 2024.

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

Office of the Secretary of State

Joint Committee on Administrative Rules

Oversight Division



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March 30, 2025