

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3869H.011  
Bill No.: HB 1774  
Subject: Taxation and Revenue - General; Tax Credits; Charities; Hospitals; Taxation and Revenue - Income; Department of Revenue  
Type: Original  
Date: January 6, 2026

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Bill Summary: This proposal authorizes a tax credit for certain charitable donations to local hospital foundations.

**FISCAL SUMMARY**

**ESTIMATED NET EFFECT ON GENERAL REVENUE FUND**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	\$0	Up to (\$2,423,057)	Up to (\$2,377,586)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>Up to (\$2,423,057)</b>	<b>Up to (\$2,377,586)</b>

\*Oversight notes the above fiscal impact represents the maximum allotted cap of \$2 million and up to four (4) FTE for the Department of Revenue.

**ESTIMATED NET EFFECT ON OTHER STATE FUNDS**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
<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.

**ESTIMATED NET EFFECT ON FEDERAL FUNDS**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	\$0	Up to 4 FTE	Up to 4 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>\$0</b>	<b>Up to 4 FTE</b>	<b>Up to 4 FTE</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.

**ESTIMATED NET EFFECT ON LOCAL FUNDS**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §135.640 - Tax Credit for Donations to Local Hospital Foundations

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this proposal would create a tax credit for qualified donations to a hospital foundation beginning with tax year 2027. The hospital foundation must be non-profit and provide financial relief for unpaid hospital bills.

An individual may receive a tax credit for 50% of their donation, up to \$2,500. B&P notes that this tax credit is only available for individuals. The tax credit is non-refundable and may not be transferred, sold, or otherwise conveyed. The tax credit may be carried forward for up to three years. In addition, a taxpayer may only claim this tax credit if they are not also claiming the donation as a charitable deduction on their state income taxes.

No more than \$2 million in credits may be claimed per year. If the amount of tax credits claimed exceeds the \$2 million limit, tax credits will be granted on a first-come, first-served basis. This program shall sunset August 28, 2032.

Therefore, B&P estimates that this proposal may reduce TSR and GR by up to \$2 million annually beginning in FY 2028, for tax year 2027 donations.

Officials from the **Department of Revenue (DOR)** assume that starting January 1, 2027, a tax credit shall be allowed to a taxpayer who makes a contribution to a hospital foundation. The credit shall be 50% of the donation. In order to qualify for the credit, the donated amount must have been subtracted from a taxpayer's federal adjusted gross income and added back when calculating Missouri adjusted gross income.

The credit is not refundable, not sellable or transferable but the unused portion of a tax credit that has not been claimed and allowed, can be carried forward three subsequent years. Additionally, this credit has an annual cap of \$2 million per calendar year but no taxpayer can receive more than \$2,500. This proposal will not fiscally impact the state until FY 2027, when the first returns are filed claiming the credit.

Fiscal Year	Loss to General Revenue
2027	\$0
2028	(\$2,000,000)
2029+	(\$2,000,000)

This proposal requires that the taxpayer claiming the credit file an affidavit with their tax return verifying the donation amount. Therefore, the Department would need to verify that the taxpayer met the requirements of this proposal. Additionally, it requires DOR to hand out the credits on a

first-come, first-serve basis if the tax credit exceeds the cap. Verification and certification processes are usually handled by other agencies and would be best done by the Department of Social Services, who works with the hospitals daily. Once another agency verifies a person's qualifications, they are given a receipt that is attached to the tax return for DOR to process. Requiring DOR to do the verification and certification is outside their normal administrative scope. The DOR assumes in order to do this verification the department will need 1 Auditor (\$83,529 salary with years of service pay included) and up to 2 Associate Customer Service Representatives (\$42,953 salary with years of service pay included) to do the necessary verifications. Note, without additional staff, DOR will not be able to administer this program.

This proposal creates a new tax credit that would require updates to the Department website, a new line being added to the form MO-TC (\$2,200), and changes to the individual income tax computer system (\$1,887). These changes are estimated to cost \$4,087. DOR's existing tax credit redemption staff is no longer able to take on any additional tax credits without additional resources. Due to the intensive knowledge of credits that is needed, DOR is not able to use temporary staff to help with processing these returns. This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of \$42,953 (salary with years of service pay included) to handle the redemptions.

**Oversight** notes that for all tax years beginning on or after January 1, 2027 (FY 2028), a qualified taxpayer shall be allowed to claim a tax credit against the taxpayer's state tax liability in an amount equal to the taxpayer's qualified amount but not exceeding \$2,500 in tax credit annually, per applicant.

Oversight notes the proposal allows up to \$2 million dollar cap annually beginning in tax year 2027. Therefore, Oversight will reflect a cost of up to \$2 million annually effective FY 2028 in the fiscal note.

Oversight notes this would allow approximately 800 (\$2M/\$2,500) taxpayers to claim the credit, if each taxpayer claimed the maximum tax credit allowed.

Oversight notes DOR assumes the need for one (1) Auditor (\$83,529) and three (3) Associate Customer Service Representatives (\$42,953) to do the verification of the tax credit because it is outside of the usual DOR scope. Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated cost for FTE beginning in FY2028.

Additionally, the DOR requests a one-time cost of \$4,087 for website income-tax changes and 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.

The **Oversight Division** is 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 2027 (10 Mo.)	FY 2028	FY 2029
<b>GENERAL REVENUE</b>			
<u>Cost – DOR (§135.640) Tax credit for certain charitable donations to local hospital foundations p.4</u>	\$0	Up to (\$2,000,000)	Up to (\$2,000,000)
<u>Cost – DOR (§135.640) p.4-5</u>		Up to...	Up to...
Personnel Service	\$0	(\$216,636)	(\$220,968)
Fringe Benefits	\$0	(\$152,475)	(\$154,217)
Expense & Equipment	\$0	(\$53,946)	(\$2,401)
<u>Total Costs – DOR</u>	<u>\$0</u>	<u>(\$423,057)</u>	<u>(\$377,586)</u>
FTE Change - DOR	0 FTE	Up to 4 FTE	Up to 4 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b>Up to <u>(\$2,423,057)</u></b>	<b>Up to <u>(\$2,377,586)</u></b>
Estimated Net FTE Change on General Revenue	0 FTE	Up to 4 FTE	Up to 4 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

A direct fiscal impact to small businesses who are allowed to participate in the tax credit would be expected as a result of this proposal.

FISCAL DESCRIPTION

Beginning January 1, 2027, this bill authorizes a tax credit for local hospital foundation donations. A qualified taxpayer may claim a tax credit in an amount equal to 50% of the value of his or her donations made to a local hospital foundation. The amount of the credit claimed must not exceed \$2,500 per taxpayer per year. The cumulative amount of tax credits allowed to all taxpayers cannot exceed \$2 million per calendar year. This program sunsets six years after its effective date.

This bill modifies the "Tax Credit Accountability Act of 2004" by updating the definitions of "Business recruitment tax credits", "Domestic and social tax credits", and "Training and educational tax credits".

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



Julie Morff  
Director  
January 6, 2026



Jessica Harris  
Assistant Director  
January 6, 2026