

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6745H.02C
 Bill No.: HCS for HB 3204
 Subject: Tax Credits; Mental Health; Taxation and Revenue - Income; Taxation and Revenue - General; Charities; Drugs and Controlled Substances; Alcohol
 Type: Original
 Date: March 17, 2026

Bill Summary: This proposal authorizes a tax credit for contributions to prevention resource centers.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	Up to (\$81,270)	Up to (\$2,578,358)	Up to (\$2,579,598)
Total Estimated Net Effect on General Revenue	Up to (\$81,270)	Up to (\$2,578,358)	Up to (\$2,579,598)

*Oversight reflects costs associated with the \$2.5 million maximum cap and administrative costs for DOR.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

- 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
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§135.2100 - Contributions to Prevention Resource Centers Tax Credit

In response to a previous version, officials from the **Office of Administration – Budget & Planning (B&P)** assumed this proposal would allow a tax credit for donations to prevention resource centers beginning tax year 2027. The tax credit shall be equal to 70% of a donation and a taxpayer may claim up to \$50,000 per tax year.

This tax credit is non-refundable but may be carried forward five years. It cannot be transferred or sold. No more than \$2.5 million may be redeemed per tax year. The credit shall sunset August 28, 2032.

B&P estimate that this proposal could reduce TSR by up to \$2.5 million per year, starting FY28 (for tax year 2027 returns).

This proposal may impact TSR and the calculation under Article X, Section 18(e).

Officials from the **Department of Mental Health (DMH)** assume this proposal adds new section 135.2100, which creates a state tax credit for contributions to prevention resource centers. Under subsection 1 of this section, a prevention resource center is defined as, “a not-for-profit entity with a mission to reduce the illegal or age inappropriate use or misuse of alcohol, tobacco, and other drugs.” The tax credit is authorized beginning 1-1-27 to use to offset the taxpayer’s tax liability “in an amount equal to seventy percent of the amount such taxpayer contributed to a prevention resource center.”

The definition of “prevention resource center” in the proposal is broader than the language in the Code of State Regulations (CSR) 9 CSR 30-3.300. Currently, there are ten organizations that the Division of Behavioral Health (DBH) considers prevention resource centers (PRC).

Based on the proposed language, the Department of Mental Health (DMH) will need to create policies and guidelines for potential PRCs. Additionally, DMH will be responsible for tracking and managing tax credits and provide information to the Department of Revenue, accordingly.

It is unknown how many PRCs would be eligible for the tax credit based on the proposed language; therefore, DMH is unable to estimate a fiscal impact at this time.

Oversight assumes DMH is provided with core funding to handle a certain amount of activity each year. Oversight assumes DMH could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DMH could request funding through the appropriation process.

Officials from the **Department of Revenue (DOR)** assume starting January 1, 2027, an eligible taxpayer will be allowed to claim a tax credit equal to 70% of the donation to a prevention resource center. The Department of Mental Health is to administer the credit. No single taxpayer can receive more than \$50,000 in tax credits annually. The minimum contribution a person must make to receive the tax credit is \$50.

The total amount of credits that can be issued in one year is \$2.5 million annually. The credits are not refundable or transferrable but can be carried forward for five years. This will result in a loss to general revenue of the \$2.5 million cap annually starting January 1, 2028, the first year the credits are redeemed on the tax return.

Fiscal Year	Loss to General Revenue
2027	\$0
2028	(\$2,500,000)
2029+	(\$2,500,000)

This proposal creates a new tax credit that would require a new line being added to the Form MO-TC (\$2,200), updates to the Department's website and changes to the individual income tax computer system (\$1,887). These changes are estimated to cost \$4,087. DOR's existing tax credit 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 (including years of service pay).

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DOR.

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
GENERAL REVENUE			
<u>Cost – (\$135.2100) Contribution to Prevention Resource Center Tax Credit p.3-4</u>	\$0	Up to (\$2,500,000)	Up to (\$2,500,000)
<u>Cost – DOR (\$135.2100) p.3-4</u>			
Personnel Service	(\$35,794)	(\$43,812)	(\$44,688)
Fringe Benefits	(\$28,010)	(\$33,957)	(\$34,310)
Expense & Equipment	(\$17,466)	(\$589)	(\$600)
Total Costs – DOR	(\$81,270)	(\$78,358)	(\$79,598)
FTE Change – DOR	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	Up to (\$81,270)	Up to (\$2,578,358)	Up to (\$2,579,598)
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 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 on small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Beginning January 1, 2027, this bill allows a qualifying taxpayer to claim a tax credit in an amount equal to 70% of the amount the taxpayer contributed to a "prevention resource center",

as defined in the bill. The tax credit claimed must not exceed the amount of the taxpayer's state tax liability and must not exceed \$50,000 per tax year.

The cumulative amount of tax credits allowed must not exceed \$2.5 million per tax year.

The Director of the Department of Mental Health must:

(1) Determine which facilities may be classified as a qualifying prevention resource center; and

(2) Establish a procedure for taxpayers to determine if a facility is a qualifying prevention resource center; and

(3) Provide information from each qualifying prevention resource center to the director of revenue regarding each taxpayer seeking a tax credit for a qualifying contribution and the amount of such contribution.

This program sunsets six years after its effective date.

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

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



Julie Morff
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March 17, 2026



Jessica Harris
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March 17, 2026