

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0188-01
Bill No.: SB 396
Subject: Taxation and Revenue - Income; Insurance
Type: Original
Date: February 24, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund*	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

*Could exceed \$100,000 in a given year.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
County Foreign Insurance Fund*	(Unknown)	\$0	\$0
Ins. Dedicated Fund	(\$13,520)	\$0	\$0
Total Estimated Net Effect on Other State Funds	(\$13,520 to UNKNOWN)	\$0	\$0

*Could exceed \$100,000 in a given year.

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	(UNKNOWN)	(UNKNOWN)

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of Administration, Division of Budget and Planning** and the **Department of Elementary and Secondary Education (DESE)** assume the proposed legislation would result in an unknown decrease to the General Revenue Fund and would not fiscally impact their agencies.

Officials of the **Department of Revenue (DOR)** state this legislation extends the sponsorship and mentoring tax credit program by allowing insurance companies and other financial institutions taxed pursuant to Chapter 148, RSMo, to claim the credit. There will be little or no impact to DOR.

DOR does not anticipate a significant amount of additional credit claims will be received; however, if this assumption is incorrect, DOR will need One Tax Processing Tech I for every 3,680 additional credits claimed by this proposal. DOR will monitor the credit and if FTE are needed the request will be made through the normal budget process. DOR assumes the Department of Economic Development or the Office of Administration, Division of Budget and Planning should estimate the revenue impact.

ASSUMPTION (continued)

Officials of the **Department of Insurance (INS)** assume this proposal expands the sponsorship and mentoring program to apply to premium tax. Premium tax is split 50/50 between the General Revenue Fund and the County Foreign Insurance Fund. Insurance companies and financial institutions paying tax under Chapter 148 are now included in the Sponsorship and Mentoring Tax Credit Program. Credit is \$2,000 per eligible student and it does not limit the number of students a taxpayer may sponsor. DESE regulations (CSR 60-95.020) covering this tax program, limit the contributor to a \$250,000 tax credit per tax period.

INS has 1,658 taxable insurance companies and over 890,000 public school students. How many students qualify and how many of the taxable insurance companies would choose to participate is unknown. INS estimates there will be an unknown loss of premium tax revenue which is split 50/50 between the General Revenue Fund and the County Foreign Insurance Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state.

INS would require \$13,520 in contract computer programming to add this tax credit to the tax credit database. INS does not have a mainframe computer programmer on staff and utilizes the state contract for these services.

Oversight assumes, for purposes of this fiscal note, that the fiscal impact of this proposal would be an unknown loss to the General Revenue Fund and the County Foreign Insurance Fund. It is not known how many sponsorship or mentoring programs would be approved or how much a taxpayer would contribute for each eligible student.

This legislation will decrease Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2004	FY 2005	FY 2006
	(10 Mo.)		

GENERAL REVENUE FUND

<u>Loss - General Revenue Fund</u>			
Tax credits for mentoring programs	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
*Could exceed \$100,000 annually.			

	FY 2004	FY 2005	FY 2006
<u>FISCAL IMPACT - State Government</u>	(10 Mo.)		

COUNTY FOREIGN INSURANCE FUND

Savings - County Foreign Ins. Fund
 Reduction in distribution to schools \$0 Unknown Unknown

Loss - County Foreign Insurance Fund
 Tax credits for mentoring programs (Unknown) (Unknown) (Unknown)

ESTIMATED NET EFFECT ON COUNTY FOREIGN INSURANCE FUND*
(UNKNOWN) \$0 \$0

*Could exceed \$100,000 annually.

INSURANCE DEDICATED FUND

Cost - Dept. of Insurance
 Contract programming (\$13,520) \$0 \$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS*
(\$13,520 to UNKNOWN) \$0 \$0

*Could exceed \$100,000 annually.

FISCAL IMPACT - Local Government FY 2004 FY 2005 FY 2006
 (10 Mo.)

SCHOOL DISTRICTS

Loss - Local School Districts
 Reduced transfer from County Foreign Insurance Fund \$0 (Unknown) (Unknown)

ESTIMATED NET EFFECT ON LOCAL FUNDS
\$0 (UNKNOWN) (UNKNOWN)

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

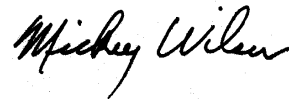
DESCRIPTION

This proposal expands the approved tax credits authorized under the Sponsorship and Mentoring Program to enable the credits to be applied against the insurance premiums tax and the financial institutions tax.

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
 Division of Budget and Planning
Department of Elementary and Secondary Education
Department of Insurance



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