COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1572-01
Bill No.: SB 362
Subject: Social Services Department; Taxation and Revenue-Income
Type: #Corrected
Date: March 15, 2005
#To correct Oversight assumptions

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
#General Revenue*	$0	$0	$0
#Total Estimated Net Effect on General Revenue Fund*	**$0**	**$0**	**$0**

#* Offsetting income and loss of $0 to $26.8 million.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development** and **Department of Insurance** assume this proposal would not fiscally impact their agency.

Officials from the **Department of Revenue (DOR)** state this proposal would require modifications to individual and corporate income tax systems. The Division of Taxation estimates these modifications, including programming changes, would require 1,384 hours of contract labor. COINS would need to be modified involving 692 hours of programming.

DOR states the number of taxpayers who will contribute and become eligible for this credit is unknown at this time. The Division of Taxation, Personal Tax Bureau would need one Tax Processing Technician I for every 4,000 new credits claimed per year.

The DOR plans to absorb these costs through core appropriations. In the event this is not possible, DOR will request additional FTE or programming funds through the regular budget process.

Officials from the **Department of Social Services (DOS)** assume the DOS can absorb costs of

ASSUMPTION (continued)

authorizing the issuance of residential treatment agency tax credits with existing staff and appropriations.

DOS states approximately $67,000,000 of General Revenue and Federal funds were paid to residential treatment centers in FY 04.

Oversight has ranged the fiscal impact of the new tax credit from $0 (no taxpayer utilizing the program) to a $26,800,000 ($67,000,000 x 40%).

#Oversight assumes the General Revenue Fund would see an increase in funds (accompanying a valid tax credit application) as well as an offsetting decrease in funds (from the utilization of tax credits) in the same year. The timing difference between the purchasing of the tax credit by the agency and the utilization of the tax credit by the donor, could potentially result in a positive cash flow into the General Revenue Fund in one fiscal year and negative cash flow in the next fiscal year. However, Oversight will assume the purchase of the tax credits and the utilization of the tax credits will occur in the same fiscal year.

#Oversight will utilize DOS' estimation of $67 million paid to residential treatment centers in FY 2004, and assume that up to $26.8 million (40% x $67 million) in tax credits could be "purchased" from the Department of Social Services by residential treatment agencies.

#This proposal could result in an increase or decrease to Total State Revenues, depending upon the timing of the tax credit application versus the utilization of the tax credit.

FISCAL IMPACT - State Government	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE			
#Income - money accompanying the application from residential treatment agencies to DOS for tax credit	$0 to $26,800,000	$0 to $26,800,000	$0 to $26,800,000
Loss-Tax credits for contributions made to qualifying residential treatment agencies	($0 to $26,800,000)	($0 to $26,800,000)	($0 to $26,800,000)
#ESTIMATED NET EFFECT TO GENERAL REVENUE	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2006 (10 Mo.)	FY 2007	FY 2008
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal creates an income tax credit in an amount equal to fifty percent of a donation made to a qualifying residential treatment agency. An agency may apply for tax credits in an aggregate amount that does not exceed forty percent of the payments made by the department of social services to the agency in the preceding twelve months. The tax credit is fully transferable and may be carried back three years or forward until the full amount of the credit has been used.

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 Social Services
Department of Revenue
Department of Economic Development
Department of Insurance

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Director
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