COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

# FISCAL NOTE

L.R. No.: 1572-10
Bill No.: HCS No. 2 for SS for SB 362
Subject: Social Services Department; Taxation and Revenue-Income
Type: Original
Date: May 9, 2005

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## FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|---|---|---|
| FUND AFFECTED | FY 2006 | FY 2007 | FY 2008 |
| General Revenue* | $0 to (Unknown)* | $0 to (Unknown)* | $0 to (Unknown)* |
| | | | |
| **Total Estimated Net Effect on General Revenue Fund*** | **$0 to (Unknown)*** | **$0 to (Unknown)*** | **$0 to (Unknown)*** |

*** Unknown costs could exceed $100,000.**

| 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** 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 Division of Taxation estimates costs to be $92,247 and one FTE associated with the implementation of this legislation. However, the DOR plans to manage these costs at current appropriation levels unless there is a material change in the division's other responsibilities.

ASSUMPTION (continued)

Officials from the **Department of Social Services (DOS) - Children's Division (CD)** assume the following:

Section 135.1142: Residential Treatment Agency Tax Credit Act: Any tax credit that would be given would be offset by a payment to the General Revenue fund. Therefore, the CD assumes no fiscal impact.

Section 135.1144: Child Placing Agencies: Any tax credit received under this section would be offset by a payment to a new fund to be utilized for payment of subsidies on behalf of children placed for adoption or foster care. Technically, CD states there would be a cost to GR and a new source of revenue for adoptive and foster care placements. However, the CD assumes that the new funds will be used to offset future growth in the program which would offset the cost to GR for this growth. Therefore, the CD assumes no fiscal impact.

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 tax credit from $0 (no taxpayer utilizing the program) to a $26,800,000 ($67,000,000 x 40%) for the Residential Treatment Agency Tax Credit (Section 135.1142).

DOS is not able to provide the amount of all agency's cost in the preceding twelve months for placement of children born in Missouri and placement of children in the custody of the department. Therefore, **Oversight** will present the range of $0 to unknown for the child placing agency tax credit (Section 135.1144). Oversight expects the unknown income, loss, and costs to exceed $100,000.

Since the legislation does not specify that the child placing agency tax funds would replace existing GR, **Oversight** will present the expenditure specified in Section 135.1144.5 as costs to the GR and DOS.

**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.

ASSUMPTION (continued)

**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 (Section 135.1142) | $0 to $26,800,000 | $0 to $26,800,000 | $0 to $26,800,000 |
| Income - money accompanying the application from child placing agencies to DOS for tax credit (Section 135.1144) | $0 to Unknown* | $0 to Unknown* | $0 to Unknown* |
| Loss-Tax credits for contributions made to qualifying residential treatment agencies (Section 135.1142) | $0 to ($26,800,000) | $0 to ($26,800,000) | $0 to ($26,8000,000) |
| Loss-Tax credits for contributions made to qualifying child placing agencies (Section 135.1144) | $0 to (Unknown)* | $0 to (Unknown)* | $0 to (Unknown)* |
| Costs- Department of Social Services- payment of subsidies on behalf of children placed for adoption or foster care (Section 135.1144.5) | $0 to (Unknown)* | $0 to (Unknown)* | $0 to (Unknown)* |
| **ESTIMATED NET EFFECT TO GENERAL REVENUE** | **$0 to (Unknown)*** | **$0 to (Unknown)*** | **$0 to (Unknown)*** |

*Unknown income, loss, and costs could exceed $100,000.

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

## FISCAL IMPACT - Small Business

Small businesses that are residential treatment agencies or child placing agencies could be affected by this proposal.

## DESCRIPTION

This proposal creates an income tax credit in an amount equal to fifty percent of a donation made to a residential treatment agency or an agency that places children and that is licensed under Section s 210.481 to 210.536 and is accredited by the council on accreditation for children and family services.

For the residential treatment agency tax credit, the agencies may apply for tax credits in an aggregate amount that does not exceed forty percent of the payments made by the department to the agency in the preceding twelve months.

For the child placing agency tax credit, agencies may apply for tax credits in an aggregate amount that does not exceed forty percent of the agency's cost in the preceding twelve months for children born in Missouri and placement of children in the custody of the department. Agencies will send a payment equal to the tax credit to the department. The department shall use the funds for payment of subsidies on behalf of children placed for adoption or foster care.

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

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