COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1693-01
Bill No.: SB 388
Subject: Social Services Department; Taxation and Revenue-Income
Type: Original
Date: March 10, 2005

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 **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Department of Social Service's authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 8 new pages of regulations in the Code of State Regulations at a cost of $27.00 per page, and 12 new pages in the Missouri Register at a cost of $23.00 per page. Costs due to this proposal are estimated to be $492, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal, however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

ASSUMPTION (continued)

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 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 2004.

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 a tax credit for monetary donations to a qualifying residential treatment agency. Only qualifying residential treatment agencies may submit an application for the tax credit on behalf of individuals making monetary donations to the agency. Agencies may apply for tax credits in an aggregate amount that does not exceed forty percent of payments made by the department to the agency in the preceding twelve months. An applicant who makes a monetary donation to a qualifying residential treatment agency may receive a tax credit equal to fifty percent of the amount of the donation. The tax credit may be carried back for the three years prior to issuance or forward until the full amount of the credit is used.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

RS:LR:OD (12/02)

SOURCES OF INFORMATION

Department of Social Services
Department of Revenue
Office of the Secretary of State

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