

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3092-02
Bill No.: SB 585
Subject: Children and Minors; Taxation and Revenue.
Type: Original
Date: February 7, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DOS)** defer to the Office of Administration for the calculation of the impact tot total state revenue. DOS assumes there is no fiscal impact to their Children’s Division.

Officials from the **Office of Administration - Budget and Planning (BAP)** state the bill changes the allocation of the adoption tax credit, but not the \$4 million cap currently in statute. Of the \$4 million, half is reserved for resident and the other \$2 million for non-resident special needs children. The language allows adoption credits for resident special needs children that have not been used by a certain time to be used for non-resident special needs children.

BAP states that in FY 2005, the amount of credits issued for resident children was \$582,546. This proposal would have the effect of increasing usage in the program up to the \$4 million total cap. This would result in a loss to general and total state revenues of approximately \$1.4 million, each year assuming similar amounts in credits are issued, beginning in FY 2007.

Officials from the **Department of Revenue (DOR)** state this legislation removes the 90 day period for setting the \$2 million cap on non-resident adoptions and makes the filing period for all adoption tax credits, July 1-April 15. This portion of the legislation aides in the apportionment,

etc, that has to be done at the end of the fiscal year to issue the credits as all filings have to be made by April 15 and those filing after that time do not qualify and will be denied.

DOR assumes no fiscal impact from the proposal.

According to the Department of Social Service's Tax Credit Analysis for the program, the amount of tax credit redeemed in FY 2005 was \$2.4 million and the anticipated amount for FY 2006 is \$2.2 million.

Oversight assumes this proposal will increase utilization of the adoption tax credits. Currently, if there are unused tax credits (of their \$2 million allocation) for non-resident children, they can be utilized by persons adopting residents or wards of the state. The largest block of tax credits are utilized by Missourians adopting non-resident children. Therefore, this proposal allows the adopting parents of non-resident children to utilize the unused portion of the resident children's \$2 million allotment in addition to their \$2 million allotment. This will increase the utilization of the program.

Oversight has previously reflected the potential impact to the General Revenue Fund of up to \$4 million in tax credits in the fiscal notes for his program. Therefore, even though this proposal may increase the utilization of the program (therefore decreasing revenue collections) by up to \$2 million annually, Oversight assumes the proposal will not fiscally impact the state by an amount more than what has already been reflected in prior fiscal notes.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

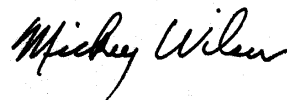
DESCRIPTION

This proposal modifies conflicting language relating to adoption tax credits. The act removes the requirement that beginning on or after July 1, 2004, a minimum of fifty percent of the tax credits allowed must be allocated for the adoption of special needs children who are residents or wards of this state at the time of adoption. The act allows the removal of the cap on non-resident adoption tax credits if less than two million dollars in tax credits have been issued for adoptions of resident special needs children. Applications for the credit may be filed between July 1st and April 15th of each fiscal year.

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
Office of Administration - Budget and Planning



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Director
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