COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3107-01
Bill No.: SB 703
Subject: Abortion; Medical Procedures and Personnel; Social Services Department; Taxation and Revenue.
Type: Original
Date: January 6, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	($46,394 to $2,046,394)	($46,357 to $2,046,357)	($47,523 to $2,047,523)
Total Estimated Net Effect on General Revenue Fund*	**($46,394 to $2,046,394)**	**($46,357 to $2,046,357)**	**($47,523 to $2,047,523)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Insurance Dedicated	($2,164)	$0	$0
Total Estimated Net Effect on Other State Funds*	**($2,164)**	**$0**	**$0**

*** The fiscal impact could be divided between the General Revenue Fund and the County Foreign Insurance Fund (which ultimately goes to local school districts) if some of the tax credits are utilized against insurance premium taxes.**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

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

*** The fiscal impact could be divided between the General Revenue Fund and the County Foreign Insurance Fund (which ultimately goes to local school districts) if some of the tax credits are utilized against insurance premium taxes.**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** state this legislation authorized a tax credit equal to 50% of a taxpayer's contribution to a pregnancy resource center, not to exceed $50,000 per taxable year. The tax credit is non-refundable, but can be carried over to the next 4 years. In order to receive the credit, the taxpayer's contributions must have a value of $100 or more. The total tax credits allowed for all taxpayer's cannot exceed $2,000,000 per fiscal year. Tax credits shall be issued in the order contributions are received.

DOR assumes the credit will be added to the MO-TC tax credit application form to be submitted with the taxpayer's income tax return.

DOR states their response to a proposal similar to this one in a previous session indicated that they planned to absorb the administrative costs to implement this proposal. Due to budget constraints and the reduction of staff, DOR is now unable to absorb the administrative costs associated with this proposal and therefore assumes the proposal would have a fiscal impact on their agency.

ASSUMPTION (continued)

DOR assumes the legislation will require modifications to individual and corporate income tax systems. The Division of Taxation estimates these modifications will require a MINITS programming costs of $46,170 (1,384 hours). COINS will also need to be modified for a programming cost of $23,085 (692 hours). DOR proposes to cover these costs with current IT staff. DOR states that effective July 1, 2006, their IT staff will be moved to OA pursuant to consolidation, but DOR has no reason to believe the transfer will limit their ability to absorb these costs. In the event multiple new credits/deductions are passed, this cost could exceed current appropriation levels and result in additional funds being requested.

DOR also assumes more than 4,000 taxpayer's will contribute to the qualifying pregnancy resource centers, and therefore, requests 1 Tax Processing Technician I (at $23,000 annually) for processing the new tax credits with their carry forward provisions. The credits will generate an increased volume of both correspondence and errors to be processed. DOR assumes a total cost from the additional FTE of roughly $36,000 per year.

Verification will be necessary in the processing of all credits. The certification provided by DSS should help with this step as long as it is provided to DOR as well as to the taxpayer.

Oversight assumes DOR will be able to administer this new tax credit without additional FTE. Oversight assumes that if the volume of tax credits for contributions to pregnancy resource centers is sufficiently high, DOR will request additional FTE through the budgetary process.

Officials from the **Office of Administration - Budget and Planning (BAP)** assumed the proposal would have a negative impact on Total State Revenue and General Revenue between $0 and $2 million annually. BAP states they have no means of estimating the amount of contributions that may occur.

Officials from the **Department of Social Services (DOS)** state a procedure will be established to determine those organizations in Missouri that meet the criteria of a Pregnancy Resource Center and a mechanism for which taxpayers can access this information will be implemented. These procedures will also ensure that taxpayers can claim all the tax credits possible up to the cumulative amount of tax credit available for the fiscal year. DOS' Division of Budget and Finance (DBF) will allocate the available tax credits equally to all organizations designated as a Pregnancy Resource Center on an annual basis. If during the fiscal year, it is determined that a Pregnancy Resource Center fails to use all or some percentage of it's allocation, DBF will then reapportion any unused tax credits to those Pregnancy Resource Centers that have used the entire amount of their tax credit allocation.

ASSUMPTION (continued)

DOS states that there are approximately 60 pregnancy resource centers that might meet the criteria outlined in the proposal. DOS assumes the need for one FTE Accounting Analyst I (at $29,784 annually) to carry out the responsibilities outlined in the bill. DOS estimates a cost of the FTE for 10 months in FY 2007 and assumes that new equipment and furniture would be required but that existing space would be utilized. In summary, DOS assumes a cost to implement the proposal of roughly $46,000 per year.

Officials from the **Department of Insurance (INS)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. The department estimates that from $0 - $2 million per year could be lost in premium tax revenue as a result of tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted tax credits each year.

INS assumes they will require $2,164 for contract computer programming to add the new tax credit to the premium tax database.

Officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Department of Revenue's authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 12 new pages of regulations in the Code of State Regulations at a cost of $27.00 per page, and 18 new pages in the Missouri Register at a cost of $23.00 per page. Costs due to this proposal are estimated to be $738, 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)

Oversight has ranged the fiscal impact of the new tax credit from $0 (no taxpayer taking utilizing the program) to a $2 million decrease in tax collections. This tax credit can be utilized against several tax types, so funds other than General Revenue (i.e. County Foreign Insurance) could be impacted by the program. The tax credit may be applied to all tax years ending on or after December 31, 2005. Therefore, taxpayers may make contributions in calendar year 2006 and utilize the credit on their returns filed after January 1, 2007. Therefore, up to $2 million in tax credits could be utilized in FY 2007.

This proposal would result in a decrease in Total State Revenues.

FISCAL IMPACT - State Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
Cost - Dept. of Social Services			
Personal Service (1 FTE)	($25,430)	($31,292)	($32,074)
Fringe Benefits	($11,205)	($13,787)	($14,132)
Expense and Equipment	($9,759)	($1,278)	($1,317)
Total costs to DOS	($46,394)	($46,357)	($47,523)
Loss - Tax credits for contributions made to Pregnancy Resource Centers	$0 to ($2,000,000)	$0 to ($2,000,000)	$0 to ($2,000,000)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND *	**($46,394 to $2,046,394)**	**($46,357 to $2,046,357)**	**($47,523 to $2,047,523)**

Note: This does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

FISCAL IMPACT - State Government (continued)	FY 2007 (10 Mo.)	FY 2008	FY 2009
INSURANCE DEDICATED FUND			
Cost - Dept. of Insurance Reprogramming costs	($2,164)	$0	$0
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	**($2,164)**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
	$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 allows a tax credit for contributions to support pregnancy resource centers. The credit is for 50% of the contribution, cannot exceed $50,000 per year, and is not refundable, but can be carried forward. No more than a total of $2 million may be claimed in credits in any one year. A taxpayer may only be permitted to redeem the tax credit provided in this act if the Director of Revenue has reallocated other state tax credits to the tax credit created in this act. A pregnancy resource center is a non-residential facility that provides assistance designed to support women and encourage birth over abortion. The center must be tax exempt, must provide direct person-to-person counseling at no cost, and cannot provide abortion referrals.

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 - Budget and Planning
Department of Social Services
Department of Insurance
Office of the Secretary of State

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Director
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