COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5458-01
Bill No.: SB 1229
Subject: Children and Minors; Taxation and Revenue.
Type: Original
Date: March 8, 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 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 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**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services** assume the proposal will not fiscally impact their agency.

Officials from the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $1,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of Administration - Budget and Planning (BAP)** state this legislation expands the groups who could use any savings from the adoption tax credit. If the adoption tax credit is not being used to the full $4 million capacity each year, the state could see a decrease in General Revenue because of the expanded uses of this tax credit.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** state this legislation allows any portion of the $2 million not used for resident adoption credits to be divided equally among the three agencies under the "children in crisis" tax credit. If claims for any one of those credits are less than the allocated amount, the remaining funds are allocated to the other agencies. Any portion remaining after the allocation to the agencies will then be allocated to the non-resident adoptions.

Personal Tax would require 1 Tax Processing Technician I for every 6,000 credits claimed. At this time, DOR is not able to predict the volume of potential credits and therefore will not request this FTE at this time. In the event the volume is sufficient, any needed FTE will be requested through the regular budget process.

In 2004, HB 1453 increased the annual limit for the Special Needs Adoption Tax Credit program from $2 million to $4 million. According to the Form 14 (Tax Credit Analysis) prepared by DOS, in FY 2005, the amount of tax credits redeemed under the program was $2.6 million. DOS anticipates roughly $2.6 million of the tax credits will be redeemed in Fiscal Years 2006 and 2007 as well.

Since this proposal utilizes unused Special Needs Adoption tax credits for other programs, this will result in an increased utilization of the tax credits. If DOS' estimate of $2.6 million of tax credits being redeemed under the current program is accurate, then this program could result in an additional $1.4 million in tax credits being used for children in crisis tax credits. However, since **Oversight** has already reflected the potential loss of the Special Needs Adoption tax credit program of up to $4 million annually, Oversight will assume this proposal does not increase the annual limit (of $4 million), and therefore, the fiscal impact of the proposal has already been reflected in a prior fiscal note. Therefore, even though this proposal will increase utilization of the tax credit program, Oversight will not reflect an additional loss of revenue to the General Revenue Fund.

FISCAL IMPACT - State Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
	$0	**$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 requires applications for the adoption tax credit be filed between July 1st and April 15th of each year. The act repeals the requirement that the director of the department of revenue submit an annual report to the general assembly on the income levels of taxpayers claiming the adoption tax credit. The act creates the "Children in Crisis" tax credit equal to fifty percent of an approved contribution to CASA, child advocacy centers, or crisis care nurseries.

The children in crisis tax credit is non-refundable, but may be carried forward for up to five consecutive years. The children in crisis tax credit has a cumulative cap equal to the unclaimed portion of the resident adoption tax credit. The amount of remaining credits under the resident adoption tax credit program shall be divided equally among contributions to the three agencies eligible under the children in crisis tax credit. In the event the children in crisis tax credits do not use all of the remaining tax credits under the resident adoption tax credit program, the remaining amount shall be used for non-resident adoption tax credits.

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
Office of the Secretary of State

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