

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3852-01
Bill No.: SB 876
Subject: Economic Development Department; Historic Preservation; Tax and Revenue -
Income
Type: Original
Date: January 18, 2008

Bill Summary: This proposal creates a tax credit for contributions to organizations for the preservation of Missouri's civil war sites.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state the bill should have no administrative or fiscal impact on DED. It creates a new tax credit program for preservation of Civil War sites. The program language is inserted in the Neighborhood Assistance Program (NAP) legislation and only comes into play if we do not allocate all the Youth Opportunities Program (YOP) dollars, which then revert to NAP. This would allow for the first \$100,000 not used by YOP to be allocated to preservation of Civil War sites. DED normally allocates all the YOP tax credit money and anticipates that the program would not be implemented due to lack of funding. Even if there were unused credits, there would still be no new cost to the state. Should this situation change and the program required implementation, DED would then request any needed funding through the normal budget process.

Officials from the **Office of Administration - Budget and Planning** state the bill creates a tax credit equal to 50% of a donation for the preservation of a Civil War site in Missouri. The program is capped at \$100,000 annually. Therefore, general and total state revenues may be lowered by this amount.

Officials from the **Department of Revenue (DOR)** assume the need for one Tax Processing Technician for every 6,000 credits claimed. DOR assumes this new FTE would cost roughly \$40,000 per year to the General Revenue Fund.

Due to the limited amount of tax credits under this program, **Oversight** assumes DOR will be able to administer the program with existing resources.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. DIFP estimates that from \$0 - \$100,000 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.

ASSUMPTION (continued)

DIFP will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Officials from the **Office of the Secretary of State (SOS)** state that 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 \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

For budget purposes, Oversight assumes this proposal could result in a reduction of Total State Revenues by \$100,000 per year. Since this proposal utilizes unused Neighborhood Assistance tax credits for another program, this will result in an increased utilization of tax credits. This program could result in an additional \$100,000 in tax credits being used for persons that make contributions to an eligible organization for the preservation of Missouri's Civil War sites. However, since **Oversight** has already reflected the potential loss of the Neighborhood Assistance tax credit programs of up to the annual limits, Oversight will assume this proposal does not increase the annual limits, and therefore, the fiscal impact of the proposal has already been reflected in prior fiscal notes. 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.

Oversight compared the total tax credit issuances relative to the total tax credit redemptions for the previous three years in order to determine a relationship between the two. Oversight discovered that the annual redemptions ranged from 79 percent to 118 percent of the annual issuances. Depending on the program, the redeemed credits may have been issued several years prior and carried forward to the years studied; however, Oversight will utilize an estimated redemption total of 98.5 percent of tax credits issued. Therefore, under this proposal, if \$6,000,000 of credits are issued, Oversight would assume \$0 to \$5,910,000 (98.5%) of credits to be redeemed, reducing Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<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.

FISCAL DESCRIPTION

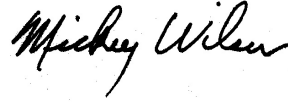
The proposed legislation appears to have no fiscal impact.

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
Department of Economic Development
Office of Administration - Budget and Planning
Department of Insurance, Financial Institutions and Professional Registration
Office of the Secretary of State

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A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
January 18, 2008