

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0241-01  
Bill No.: SB 142  
Subject: Tax Credits  
Type: Original  
Date: February 18, 2009

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Bill Summary: This proposal requires mandatory review and sunset of certain tax credit programs.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## **FISCAL ANALYSIS**

### ASSUMPTION

Officials from the **Department of Revenue, Department of Health and Senior Services, Missouri House of Representatives, Missouri Senate, Office of Administration - Budget and Planning, Department of Agriculture** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Department of Economic Development (DED)** state the bill requires reviews of tax credit programs enacted after August 2003 if they don't have a sunset clause. It also requires (section 2) the review of tax credit programs that were enacted before August 2003 that are not covered by 23.253 RSMo. The bill requires a decision on whether to continue the programs or sunset them in cases where there is a sunset clause. In cases where there is no sunset, the program also receives the same consideration. Continuation of programs or elimination of programs will have varying effects on General Revenue. The impact cannot be predicted until the results of the considerations by the committee.

The continuance or sunset of varying programs could have differing impacts on DED. Even if programs are discontinued, DED may still be required to provide administrative support while the credits are redeemed. The administrative impact will be unknown but costs should not be any higher than currently budgeted, plus normal increases. Eventually, any eliminated programs may require changes in staffing and costs. DED assumes the impact of the bill would be unknown.

Officials from the **Department of Natural Resources (DNR)** state per SB 1099 from the 92nd General Assembly 2nd Regular Session (Tax Credit Accountability Act of 2004), Environmental tax credits include the charcoal producer tax credit created pursuant to section 135.313, the wood energy tax credit created pursuant to sections 135.300 to 135.311, and the manufacturing and recycling flexible cellulose casing tax credit created pursuant to section 260.285, RSMo. DNR is only responsible for completing an annual tax credit analysis for the charcoal producer tax credit and wood energy tax credit. These analyses (Form 14's) are submitted annually to the Office of Administration, and reviewed by the legislature.

Under Section 135.820.1(1) of this proposal, the tax credits DNR is responsible for shall be reviewed and a report made to the general assembly by February 1, 2010. DNR assumes that these tax credits would expire December 31, 2013, unless the general assembly adopts a concurrent resolution authorizing the approval of those tax credits thereby reauthorizing the tax credit program under the conditions outlined in this proposal; or by enactment of a general law modifying the provisions of those tax credit programs.

ASSUMPTION (continued)

The 8 year window for claiming a charcoal producers tax credit has expired and any remaining credits must be redeemed by December 31, 2012. The wood energy tax credit currently does not expire.

This proposal could also affect tax credits such as the State Historic Rehabilitation Tax Credit program offered by the Department of Economic Development which provides a degree of funding to the department's State Historic Preservation Office.

Initially, DNR would not anticipate a significant direct fiscal impact from this proposal. It is unknown whether or not the general assembly would reauthorize these tax credits. Therefore, the fiscal impact to DNR from this proposal is unknown.

Officials from the **Department of Social Services (DOSS)** state this legislation has two major pieces. The first is RSMo 23.253 which requires 3-year review of all programs in DOSS created after Aug. 28, 2003, and reauthorization of these programs. This is an ongoing process in the Department.

The Pregnancy Resource Center Tax Credit and Residential Treatment Tax Credit already have a sunset provision which is scheduled to take place in 2012. The wording of the bill moves the sunset for these tax credits up to 2009, by accelerating the sunset to a 3-year cycle instead of a 6-year cycle. These two tax credits would then be scheduled to sunset on the same day this bill is signed into law.

For other programs, it is unclear what would happen to the program if the sunset gets moved to a date in the past. A program authorized in 2003 would have a currently scheduled sunset date of 2009. If this bill passed, the sunset date would be 2006. The issue will probably be resolved with a mandatory sunset review of all programs over 3 years old.

The second provision (RSMo 135.820) is a review of all tax credits by the Joint Committee on Tax Policy, with a report on domestic and social tax credits due Feb. 1, 2010. Tax credits cannot be reapproved after Dec. 31, 2013, unless the general assembly adopts a concurrent resolution authorizing the approval of such tax credits thereby reauthorizing such tax credit program or there is an enactment of general law modifying the provisions of such tax credit program. Then, the tax credits have a 3-year sunset as outlined in RSMo 23.253.

ASSUMPTION (continued)

If the tax credits are not authorized, small businesses may lose a viable stream of revenue. According to the most recent form 14s, Social Services reports the following tax credits issued:

\$530,910 Residential Treatment Agency  
\$1,029,681 Domestic Violence Shelter  
\$1,309,445 Maternity Homes  
\$1,167,510 Pregnancy Resource Center

\$4,037,546 total in tax credits

This could result in an increase in state revenue of up to \$3.5 million. The Residential Treatment Agency Tax Credit does not result in a decrease in state revenue, because the agencies which receive the donations give half of the donation to the state (the amount of the tax credit). This makes the Residential Treatment Agency Tax Credit a wash. The amount the state may realize depends on all the "what ifs". What if the tax credit is extended or not? What if it is sunset? What if there is a new law authorizing the tax credit? Since these questions are raised, but not answered, by this bill, the full impact is unknown.

This impacts state revenue, but not revenue dedicated to the Department of Social Services. Also, the impacts should be seen after 2013, when all the tax credit reports are submitted, hence the zero fiscal note.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** state it is unknown how Premium Tax revenue will be affected by the potential sunseting of certain tax credit programs. 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 throughout 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 as a result of potential sunset of tax credit programs.

In response to a similar proposal from 2008 (SB 735), officials from the **Joint Committee on Tax Policy** stated that since they are currently reviewing all of the tax credits, no additional costs will be incurred because of the proposal.

ASSUMPTION (continued)

**Oversight** assumes this proposal, by itself, would not have a fiscal impact upon the state within the scope of this fiscal note. Oversight assumes Section 23.253 would not change the sunset dates of all programs established since August 28, 2003, but simply would implement a shorter sunset time period for all programs established after August 28, 2009 (effective date of this proposal).

**Oversight** also assumes subsection 135.820.2 could end tax credit programs after December 31, 2013. This is beyond the scope of this fiscal note. In FY 2008, roughly \$597 million in tax credits were issued and roughly \$512 million in tax credits were redeemed. Not all tax credit programs would be subject to the review specified in the proposal. Also, Oversight assumes many of the programs would be reauthorized by the General Assembly.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<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.

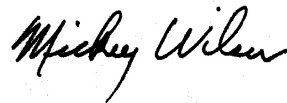
### FISCAL DESCRIPTION

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 Economic Development  
Department of Revenue  
Department of Agriculture  
Department of Social Services  
Department of Health and Senior Services  
Department of Natural Resources  
Department of Insurance, Financial Institutions and Professional Registration  
Office of Administration - Budget and Planning  
Missouri House of Representatives  
Missouri Senate  
Joint Committee on Tax Policy



Mickey Wilson, CPA  
Director  
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