COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0326-01
Bill No.: SB 71
Subject: Disabilities; Social Services Department; Taxation and Revenue; Tax Credits
Type: Original
Date: January 27, 2009

Bill Summary: This proposal creates a tax credit for contributions to mentally retarded and developmental type disability care providers.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	$0	($42,201) to (Unknown)	($37,932) to (Unknown)
Total Estimated Net Effect on General Revenue Fund*	**$0**	**($42,201) to (Unknown)**	**($37,932) to (Unknown)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on Other State Funds*	**$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.**

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	0	1 FTE	1 FTE
Total Estimated Net Effect on FTE	**0**	**1 FTE**	**1 FTE**

☐ 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 2010	FY 2011	FY 2012
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 Mental Health** assume no fiscal impact from this proposal.

Officials from the **Department of Social Services (DOSS)** state the bill establishes a tax credit for donations made to a provider from a taxpayer that are used solely to provide direct care services to the mentally retarded and persons with developmental type disabilities. Taxpayers include individuals, corporations, insurance companies, and financial institutions that pay income taxes. Eligible donations may include cash, publicly traded stocks and bonds, and real estate. The credit is limited to 50% of the eligible donation. Providers are limited to those who provide services under contract with the Missouri Department of Social Services.

The Department of Social Services must promulgate rules to implement the tax credit. In order to claim the tax credit, taxpayers must submit an application and be approved by the Department of Social Services.

The tax credit will automatically sunset 12 years after the effective date unless reauthorized.

Based on the Division of Finance and Administrative Services' (DFAS) response to FN 5386-01 last year, there is no fiscal impact to DOSS. DFAS believes DOSS could administer the tax credit with existing resources since the process would be very similar to the Residential Treatment Agency Tax Credit, which DOSS already administers.

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposal creates a tax credit for contributions to qualified mentally retarded and developmentally disabled care providers. The provider must be under contract with the Department of Social Services. However, the majority of MRDD providers contract with the state through the Department of Mental Health.

There are 1,321 developmental disability care providers that are under contract with the Department of Mental Health. There is no cap on the program; therefore, BAP is unable to determine the potential decrease to general and total state revenues.

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

ASSUMPTION (continued)

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, 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 **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. The department has no means to arrive at a reasonable estimate of loss 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 by tax credits each year.

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 **Department of Revenue (DOR)** state due to the Statewide Information Technology Consolidation, DOR's response to a proposal will now also reflect the cost estimates prepared by OA-IT for impact to the various systems. As a result, the impact shown may not be the same as previous fiscal notes submitted. In addition, if the legislation is Truly Agreed to and Finally Passed, the OA-IT costs shown will be requested through appropriations by OA-IT.

Office of Administration Information Technology (ITSD DOR) estimates the IT portion of this request can be accomplished within existing resources, however; if priorities shift, additional FTE/overtime would be needed to implement. Office of Administration Information Technology (ITSD DOR) estimates that this legislation could be implemented utilizing 1 existing CIT III for 2 months for modifications to MINITS and 3 existing CIT III for 1 month for modifications to the corporate income tax systems. The estimated cost is $22,205.

ASSUMPTION (continued)

DOR assumes their Personal Tax section will require one Revenue Processing Technician I for every 6,000 claims file. DOR assumes the cost for the additional one FTE to be roughly $41,000 per year.

Oversight has, for fiscal note purposes only, changed the starting salary for DOR's Revenue Processing Technician I to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Oversight assumes that since the program would start with all taxable years beginning on or after January 1, 2010, the first fiscal year in which the tax credits would offset revenues would be FY 2011. Also, Oversight assumes the Department of Revenue will not require the additional FTE until such tax returns are filed, beginning in FY 2011. There is no annual limit to this program, therefore, Oversight will range the fiscal impact of the tax credits from $0 to (Unknown).

This proposal could reduce Total State Revenues.

FISCAL IMPACT - State Government	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE FUND			
Costs - DOR			
Personal Service (1 FTE)	$0	($24,061)	($24,783)
Fringe Benefit	$0	($11,701)	($12,052)
Expense and Equipment	$0	($6,439)	($1,097)
Total Costs - DOR	$0	($42,201)	($37,932)
FTE Change - DOR	` 0 FTE	1 FTE	1 FTE
Loss - Department of Social Services			
Tax credit for contributions to mentally retarded and developmental type disability care providers - no annual limit	$0	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	**$0**	**($42,201) to (UNKNOWN)**	**($37,932) to (UNKNOWN)**
Estimated Net FTE Change for General Revenue Fund	0 FTE	1 FTE	1 FTE

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 - Local Government	FY 2010 (10 Mo.)	FY 2011	FY 2012
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

The act creates an income tax credit equal to fifty percent of the amount of an eligible donation made, on or after January 1, 2010, to a qualifying mentally retarded and developmental type disability care provider. The tax credit may not be applied against withholding taxes. The tax credit is non-refundable, but may be carried forward four years. The tax credit is transferable. A provider may apply to the Department of Revenue for the tax credits. The provisions of this act shall automatically sunset six years after the effective date of the act unless reauthorized.

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 Mental Health
Office of the Secretary of State
Department of Revenue
Office of Administration - Budget and Planning
Department of Insurance, Financial Institutions and Professional Registration

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