COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0326-02
Bill No.: Perfected SCS for SB 71
Subject: Disabilities; Social Services Department; Taxation and Revenue; Tax Credits
Type: Original
Date: April 8, 2009

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue**	$0	$0	$0
Total Estimated Net Effect on General Revenue Fund* **	**$0**	**$0**	**$0**

**** Offsetting income and losses.**

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
Total Estimated Net Effect on 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 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.

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 developmentally disabled care providers. The provider must be under contract with the Department of Social Services or 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
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.

ASSUMPTION (continued)

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.

In response to a previous version of the proposal, officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** stated 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 also assumes their Corporate Tax section would require one Revenue Processing Technician I for every 5,200 additional returns verified and one Revenue Processing Technician I for every 2,080 pieces of additional correspondence.

Note: Inadvertently, DOR's response to FN 0326-01 did not include the two FTE for Corporate Tax. Upon further review, it was determined that these FTE would be required.

DOR assumes the cost for the additional three FTE to be roughly $125,000 per year.

Oversight assumes there will not be sufficient donations and tax credits to warrant three additional FTE for the Department of Revenue. Oversight asked DOR how many credits have been redeemed for the similar program of contributions to Residential Treatment Agencies. DOR responded that only 72 credits were redeemed in FY 2008. Therefore, Oversight will assume that DOR will be able to implement this proposal with existing resources. If the proposal is successful and the volume warrants the need for additional FTE, Oversight assumes DOR will be able to apply for additional resources through the budget process.

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. 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 is similar to the Residential Treatment Agencies tax credit (135.1150, RSMo), where taxpayers make donations to the provider, who in turn submit half of the donation to the Department of Social Services with the tax credit application. Therefore, the state is receiving income from this donation/application in an amount equal to the tax credit issuance. Oversight failed to show this potential receipt of money in the fiscal note for the original bill.

Oversight assumes the General Revenue Fund would see an increase in funds (accompanying a valid tax credit application) as well as an offsetting decrease in funds (from the utilization of tax credits) in the same year. The timing difference between the purchasing of the tax credit by the provider and the utilization of the tax credit by the taxpayer, could potentially result in a positive cash flow into the General Revenue Fund in one fiscal year and negative cash flow in the next fiscal year. However, Oversight will assume the purchase of the tax credits and the utilization of the tax credits will occur in the same fiscal year.

This proposal could reduce Total State Revenues.

FISCAL IMPACT - State Government	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE FUND			
Income - money accompanying the application from qualified developmental disabilities care providers to DOS for tax credit	$0	$0 to Unknown	$0 to Unknown
Loss - Department of Social Services Tax credit for contributions to developmental disability care providers - no annual limit	$0	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	**$0**	**$0**	**$0**

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 developmental 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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April 8, 2009