COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.:	0063-10
Bill No.:	Truly Agreed To and Finally Passed HCS for SS for SCS for SB Nos. 20, 15 & 19
Subject:	Disabilities; Social Services Department; Taxation and Revenue - Income; Tax Credits
Type:	Original
Date:	March 19, 2013

Bill Summary: This proposal modifies provisions of law regarding certain benevolent tax credits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue *	($1,350,175)	($1,387,141)	($1,387,141)
Total Estimated Net Effect on General Revenue Fund	**($1,350,175)**	**($1,387,141)**	**($1,387,141)**

*** These credits have an annual cap that could raise the above stated revenue reduction to no more than $4,350,000 per year.**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Note: **The fiscal note 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.**

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
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 2014	FY 2015	FY 2016
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

§ 135.090 Surviving Spouse
According to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Surviving Spouse tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Issued	$22,363	$16,861	$32,793
Amount Redeemed	$22,363	$16,861	$32,793

Oversight assumes this tax credit was to sunset on August 28, 2013 (FY 2014). This proposal extends the tax credit until December 31, 2019 (FY 2020); therefore, **Oversight** will show a loss to state revenue for the credits that may be issued in FY 2015 and FY 2016. This tax credit does not have an annual cap. **Oversight** will reflect a loss of revenue to the State equal to the average amount issued over the last four years ($20,468).

§ 135.327 Special Needs Adoption
Officials at the **Office of Administration - Budget and Planning** (**BAP**) assume this part of the proposal disallows non-resident adoptions under the Adoption Tax Credit program. To the extent this reduces participation in the program, General and Total State Revenues may be increased by up to $2 million. However, DOR reports only $898,410 in FY 2012 for redemptions related to non-resident adoptions.

According to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Special Needs Resident Adoption tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Issued	$429,398	$296,502	$137,816
Amount Redeemed	$429,398	$296,502	$137,816

According to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Special Needs Non-Resident Adoption tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Issued	$1,464,789	$1,049,952	$898,410
Amount Redeemed	$1,464,789	$1,049,952	$898,410

ASSUMPTION (continued)

The Special Needs Resident and Non-Resident credits and the Children in Crisis tax credit shared a $4 million cap. This part of the proposal would separate these credits and give the Special Needs Resident Adoption credit a $2 million cap and the Special Needs Non-Resident credit would be eliminated. **Oversight** assumes the elimination of the Special Needs Non-resident credit would result in increased revenue to the State equal to the average amount issued over the last five years ($1,533,004).

§ 135.341 Champion for Children
Officials at the **BAP** assume this part of the proposal provides a new section and extends the Children in Crisis credit. The proposal changes the name to Champion for Children, establishes a $1 million cap, and renews the sunset from 08-28-12 to 12-31-19. FY 2012 redemptions were $629,456. This will reduce General and Total State Revenues by up to $1 million.

According to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Children in Crisis tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Issued	$420,857	$587,137	$629,456
Amount Redeemed	$420,857	$587,137	$629,456

The Children in Crisis tax credit and the Special Needs Adoption tax credit shared a $4 million cap. This part of the proposal would separate these credits and give the Children in Crisis tax credit a $1 million cap. Additionally, this part of the proposal renames the credit the Champion for Children tax credit.

Oversight assumes the Children In Crisis tax credit previously sunset on August 28, 2012. This proposal extends this tax credit beginning on January 1, 2013 (FY 2013) and therefore Oversight will reflect a loss to state revenue for the credits that may be issued in FY 2014, FY 2015 and FY 2016. Oversight will reflect the amount of lost revenue to the State equal to the average amount issued over the last five years ($469,403) through this program.

§ 135.562 Residential Dwelling-Individuals
According to the Tax Credit Analysis submitted by the Department of Revenue, the Residential Dwelling Accessibility tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Issued	$23,040	$20,086	$6,501
Amount Redeemed	$23,040	$20,086	$6,501

Oversight assumes this credit was to expire on December 31, 2013 (FY 2014). This proposal extends this credit, and therefore Oversight will reflect a loss to state revenue for credits that may

ASSUMPTION (continued)

be issued in FY 2015 and FY 2016. This credit has an annual cap of $100,000. Oversight will reflect the lost revenue to the State as equal to the average amount issued over the last four years ($16,498).

§ 135.535 Rebuilding Communities
According to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Rebuilding Communities tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Issued	$1,419,758	$1,444,107	$1,883,336
Amount Redeemed	$1,553,894	$1,277,135	$1,388,190

Oversight assumes this proposal eliminates the provision that the Residential Dwelling Accessibility tax credit be funded with unused Rebuilding Communities funding. This part of the proposal would not cause an additional impact on General Revenue, since the annual issuance of the Rebuilding Communities tax credit program has been well below the $10 million dollar cap.

§ 135.630 Pregnancy Resource Center
Officials at the **BAP** assume this part of the proposal renews the sunset from 08-28-12 to 12-31-19. FY 2012 redemptions were $1,892,183. This will reduce General and Total State revenues by similar amounts.

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.

ASSUMPTION (continued)

According to the Tax Credit Analysis submitted by the Department of Social Services regarding this program, the Pregnancy Resource Center tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Certificates Issued (#)	3,708	3,729	3,827
Amount Issued	$1,324,130	$1,795,230	$1,844,684
Amount Redeemed	$1,198,062	$1,103,384	$1,892,183

Oversight assumes the Pregnancy Resource Center tax credit previously sunset on August 28, 2012. This proposal extends this tax credit beginning January 1, 2013 (FY 2013), and therefore Oversight will show a loss to state revenue for the credits that may be issued in FY 14, FY 15 and FY 16. This credit has an annual cap of $2 million dollars. Oversight will reflect a loss of revenue to the State equal to the average amount issued over the last five years ($1,523,454).

§ 135.647 Food Pantry
Officials at the **BAP** assume this part of the proposal renews the food pantry sunset from 08-28-11 to 12-31-19. This section also adds a $1.25 million cap. FY 2011 redemptions were $1,081,076. This will reduce General and Total State Revenues by a similar amount.

According to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Food Pantry tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Redeemed	$793,734	$1,081,076	$796,156

Oversight assumes this credit previously sunset on August 28, 2011. This proposal extends this tax credit beginning January 1, 2013 (FY 2013), and therefore Oversight will show the loss to state revenue for the credits that may be issued in FY 14, FY 15 and FY 16. Oversight assumes the credit had an annual cap of $2 million dollars, but this proposal lowered it to $1,250,000. Oversight will reflect the amount of loss of revenue to the State equal to the average amount issued over three years ($890,322).

§ 135.800 Tax Credit Accountability Act
Oversight assumes no impact from this part of the proposal.

Bill as a Whole
Officials at the **BAP** assume no impact on BAP from this proposal.

Officials at the **Department of Economic Development** assume there is no fiscal impact from this proposal.

ASSUMPTION (continued)

Officials at the **Department of Social Services** assume no impact from this proposal. The duties performed by staff would continue as they did prior to the sunset of the programs.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume no fiscal impact to the department in FY2014, FY2015, or FY2016. This legislation may have an unknown increase to premium tax revenue beginning in FY2020 due to the possible sunset 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 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 by the potential sunset of tax credits beginning in FY 2020.

Officials at the **Department of Revenue** (**DOR**) assume that extending the sunsets on these tax credits creates an unknown, negative impact on Total State Revenue. Additionally, DOR would need to make form changes and programming changes to various tax systems. The cost of the changes is estimated at $2,164 for 80 FTE hours.

Oversight assumes DOR is provided with core funding to handle a certain amount of computer programming activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Officials at the **Joint Committee on Administrative Rules** assume there is no fiscal impact from this proposal.

Officials from the **Office of the 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. 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

ASSUMPTION (continued)

Oversight assumes these changes would prohibit the issuance of any further tax credits under these program after December 31, 2020. Oversight assumes any income to the state from these tax credits not issued and the taxes being collected is outside the fiscal note period.

FISCAL IMPACT - State Government	FY 2014	FY 2015	FY 2016
GENERAL REVENUE			
Revenue - § 135.327 - Elimination of the Special Needs Non-Resident adoption tax credit	$1,533,004	$1,533,004	$1,533,004
Revenue Reduction- extension of the sunsets on tax credits			
§ 135.090 - Surviving Spouse	$0	($20,468)	($20,468)
§ 135.341 - Champion for Children *	($469,403)	($469,403)	($469,403)
§ 135.562 - Residential Dwelling *	$0	($16,498)	($16,498)
§ 135.630 - Preg Resource Center *	($1,523,454)	($1,523,454)	($1,523,454)
§ 135.647 - Food Pantry *	($890,322)	($890,322)	($890,322)
Total Revenue Reduction	($2,883,179)	($2,920,145)	($2,920,145)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**($1,350,175)**	**($1,387,141)**	**($1,387,141)**

*** These credits have an annual cap that could raise the above stated revenue reduction to no more than $4,350,000 per year.**

Note: The fiscal note 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 2014	FY 2015	FY 2016
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses that receive these tax credits could be impacted.

FISCAL DESCRIPTION

This act modifies provisions of law regarding certain benevolent tax credits.

The Public Safety Officer Surviving Spouse Tax Credit program currently sunsets on August 28, 2013. This act extends the sunset to December 31, 2019. (§ 135.090)

The provisions authorizing unused funds from the Special Needs Adoption Tax Credit be used for the Children in Crisis Tax Credit are eliminated. A $2 million cap is established for in-state adoptions. The act prohibits use of the tax credit for out-of-state adoptions. (§ 135.327)

The Children in Crisis Tax Credit program provided an income tax credit for contributions to child advocacy centers, crisis care centers, and entities that receive funding from the Court-Appointed Special Advocate Fund. This tax credit program sunset on August 28, 2012. This act reauthorizes this tax credit as of the effective date of the act and sets a sunset of December 31, 2019. This act changes the name of the tax credit to the Champion for Children tax credit. A two million dollar per tax year cap is set for the tax credit. Contributions made on or after January 1, 2013, will be eligible for the tax credit. (§ 135.341)

This act extends the sunset from December 2013, to December 2019, on the section of law that creates the tax credit for certain taxpayers who modify their homes to make them accessible for a disabled resident.

Currently, the Rebuilding Communities tax credit program has a ten million dollar annual cap. If there are tax credits remaining under the cap, up to 100,000 dollars of this tax credit cap shall first be used for the residential dwelling accessibility tax credit. This act removes such a requirement that tax credits under the Rebuilding Communities tax credit cap be provided to the residential dwelling accessibility tax credit. (§§ 135.535 and 135.562)

The provisions of law authorizing a tax credit for contributions to pregnancy resource centers sunset on August 28, 2012. This act reauthorizes this tax credit program as of the effective date of the act and sets a sunset of December 31, 2019. Contributions made on or after January 1, 2013, will be eligible for the tax credit. The act prohibits the assignment or transfer of the pregnancy resource center tax credit. (§ 135.630)

The tax credit for donations to food pantries expired August 28, 2011. This act reauthorizes this tax credit program as of the effective date of the act and sets a sunset of December 31, 2019. Contributions made on or after January 1, 2013, will be eligible for the tax credit. The previous cap of $2 million per fiscal year is reduced to $1.25 million. (§ 135.647)

The act places the recently created developmental disability care provider tax credit program under the requirements of the Tax Credit Accountability Act of 2004. (§ 135.800)

This act has an emergency clause.

JH:LR:OD

FISCAL DESCRIPTION (continued)

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

Budget and Planning
Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue
Department of Social Services
Joint Committee on Administrative Rules
Office of the Secretary of State

Ross Strope
Acting Director
March 19, 2013

JH:LR:OD