

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0294-01
Bill No.: SB 15
Subject: Disabilities; Social Services Department; Taxation and Revenue- Income; Tax Credits
Type: Original
Date: January 7, 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 *	(\$2,883,179)	(\$2,920,145)	(\$2,920,145)
Total Estimated Net Effect on General Revenue	(\$2,883,179)	(\$2,920,145)	(\$2,920,145)

* These credits have an annual cap that could raise the above stated revenue reduction to no more than \$8,100,000 per year.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> 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 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> 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

Section 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 credit was to sunset on August 28, 2013 (FY 2014). This proposal extends this credit and therefore Oversight will reflect a loss to state revenue for the credits issued in FY 2015 and FY 2016. This credit does not have an annual cap. Oversight will reflect the lost revenue to the State as equal to the average amount issued over the last four years (\$20,468).

Section 135.327 Children in Crisis

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

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

Oversight assumes the Children In Crisis tax credit previously sunset on August 28, 2012. This proposal extends this tax credit beginning on July 1, 2013 (FY 2014) and therefore Oversight will reflect a loss to state revenue for the credits issued in FY 2014, FY 2015 and FY 2016. The Children in Crisis program shares a four million dollar annual cap with the Special Needs Adoption tax credit. Oversight will reflect the lost revenue to the State equal to the average amount issued over the last five years (\$469,403) through this program.

ASSUMPTION (continued)

Section 135.562 Residential Dwelling - Individual

According to the Tax Credit Analysis submitted by the Department of Revenue, the Residential Dwelling 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 August 28, 2013 (FY 2014). This proposal extends this credit, and therefore Oversight will reflect a loss to state revenue for credits 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).

Section 135.630 Pregnancy Resource Center

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

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume this part of this proposal will have an impact. It is not known how many insurance companies will choose to participate in this program and take advantage of the Pregnancy Resource Centers Tax Credit. 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 tax credit each year.

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

ASSUMPTION (continued)

Oversight assumes this credit previously sunset on August 28, 2012. This proposal extends this tax credit beginning on July 1, 2013 (FY 2014) and therefore Oversight will reflect a loss to state revenue for the credits issued in FY 2014, FY 2015 and FY 2016. This program has an annual cap of \$2 million dollars. Oversight will reflect the amount of lost revenue to the State as equal to the average amount issued over the last five years (\$1,523,454).

Section 135.647 Food Pantry

According to the Tax Credit Analysis submitted by the Department of Revenue, 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 on July 1, 2013 (FY 2014) and therefore Oversight will reflect a loss to state revenue for the credits issued in FY 2014, FY 2015 and FY 2016. This credit has an annual cap of \$2 million dollars. Oversight will reflect the amount of lost revenue to the State as equal to the average amount issued over those three years (\$890,322).

Bill as a Whole

Officials at the **Office of Administration - Budget and Planning** assume no fiscal impact to their agency. The renewal of the sunsets would reduce General and Total State Revenue.

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

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume no anticipated fiscal impact to the department in FY 2014, FY 2015, or FY 2016. This legislation may have an unknown increase to premium tax revenue beginning in FY 2020 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 2017.

ASSUMPTION (continued)

Officials at the **Department of Revenue** assume the extension of the sunsets on these tax credits would have an unknown, negative impact on Total State Revenue.

Oversight assumes these changes would prohibit the issuance of any further tax credits under these program after December 31, 2019. Oversight assumes any income to the state from these tax credits not issued and the taxes being collected is outside the fiscal note period.

<u>FISCAL IMPACT - State Government</u>	FY 2014	FY 2015	FY 2016
GENERAL REVENUE			
<u>Revenue Reduction-</u> extension of the sunsets on tax credits			
Surviving Spouse (135.090)	\$0	(\$20,468)	(\$20,468)
Children in Crisis (135.327) *	(\$469,403)	(\$469,403)	(\$469,403)
Residential Dwelling (135.562) *	\$0	(\$16,498)	(\$16,498)
Pregnancy Resource Center (135.630) *	(\$1,523,454)	(\$1,523,454)	(\$1,523,454)
Food Pantry (135.647) *	(\$890,322)	(\$890,322)	(\$890,322)
	<u>(\$2,883,179)</u>	<u>(\$2,920,145)</u>	<u>(\$2,920,145)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$2,883,179)</u>	<u>(\$2,920,145)</u>	<u>(\$2,920,145)</u>

* These credits have an annual cap that could raise the above stated revenue reduction to no more than \$8,100,000 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.

<u>FISCAL IMPACT - Local Government</u>	FY 2014	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This could affect small businesses that receive these credits.

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. (Section 135.090)

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 effective on July 1, 2013, with a sunset of December 31, 2019. (Section 135.327)

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. (Section 135.562)

The provisions of law authorizing a tax credit for contributions to pregnancy resource centers sunset on August 28, 2012. This act re-authorizes this tax credit program effective July 1, 2013, with a sunset of December 31, 2019. (Section 135.630)


The tax credit for donations to food pantries expired August 28, 2011. This act re-authorizes this tax credit program, effective July 1, 2013, with a sunset of December 31, 2019. (Section 135.647)

This act has an emergency clause.

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 Insurance, Financial Institutions and Professional Registration
Department of Revenue
Department of Social Services
Office of Administration
 Budget and Planning



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