

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4546-02
Bill No.: SCS for HB 1132
Subject: Tax Credits; Children and Minors; Charities
Type: Original
Date: April 24, 2014

Bill Summary: This proposal increases the amount of tax credits for contributions to pregnancy resource centers, maternity homes and food pantries.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0 to (\$1,500,000)	\$0 to (\$1,500,000)	\$0 to (\$1,500,000)
Total Estimated Net Effect on General Revenue Fund	\$0 to (\$1,500,000)	\$0 to (\$1,500,000)	\$0 to (\$1,500,000)

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.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§135.600 Maternity Home

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

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume there is no fiscal impact to BAP from this proposal. This proposal could reduce General and Total State Revenues by \$500,000 annually.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Social Services regarding this program, the Maternity Home tax credit program had the following activity;

	FY 2011	FY 2012	FY 2013
Certificates Issued (#)	1,877	2,270	2,637
Amount Authorized	\$1,269,595	\$1,471,340	\$1,999,958
Amount Issued	\$1,269,595	\$1,471,340	\$1,999,958
Amount Redeemed	\$726,355	\$1,354,431	\$1,138,969

Oversight assumes this proposal raises the cap on the maternity home tax credit from \$2 million to \$2.5 million annually. Oversight will show the fiscal impact as a loss to state revenue of \$0 (no additional credits claimed) to \$500,000 (additional credits claimed to new cap) annually.

§135.630 Pregnancy Resource Center

Officials at the **BAP** assume there is no fiscal impact to BAP from this proposal. This proposal could reduce General and Total State Revenues by \$500,000 annually.

Officials at the **Department of Revenue** assume there is no fiscal impact to their agency from this proposal. However, this legislation will reduce Total State Revenue by an additional \$500,000 per year beginning in Fiscal Year 2015.

Officials at the **Department of Social Services (DOS)** assume increasing the cap on these credits by \$500,000 would allow for more donations to be processed. However, this program already exists, so DOS should be able to handle the potential increase in donations with current staff.

ASSUMPTION (continued)

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state an unknown reduction of premium tax revenues may occur as a result of increasing the Pregnancy Resource Center tax credit is possible. 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 credits 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 2011	FY 2012	FY 2013
Certificates Issued (#)	3,729	3,827	2,316
Amount Authorized	\$1,795,230	\$1,844,684	\$1,621,951
Amount Issued	\$1,795,230	\$1,844,684	\$1,621,951
Amount Redeemed	\$1,103,384	\$1,892,183	\$1,194,477

Oversight assumes this proposal raises the cap on the pregnancy resource center tax credit from \$2 million to \$2.5 million annually. Oversight will show the fiscal impact as a loss to state revenue of \$0 (no additional credits claimed) to \$500,000 (additional credits claimed to new cap) annually.

§135.647 Food Pantry Tax Credit

Officials at the **BAP** assume there is no fiscal impact to BAP from this proposal. This proposal could reduce General and Total State Revenues by \$500,000 annually.

Oversight assumes the Food Pantry tax credit began in 2008, and had a sunset of 2011. The program at that time had a \$2 million annual cap. In Fiscal Year 2013, the Food Pantry tax credit was reauthorized and given a cap of \$1.25 million annually. Due to the time period between which this credit did not exist and the reauthorization of the tax credit, Oversight does not have any recent redemption data to use to determine if this tax credit is being redeemed near its annual cap.

Oversight assumes this proposal raises the current cap on the Food Panty tax credit from \$1.25 million to \$1.75 million starting August 28, 2014 (FY 2015). Therefore, Oversight will show a loss to state revenue of \$0 (no additional redemptions) to \$500,000 per year (additional redemptions up to the new cap).

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Revenue Reduction</u> - increasing the maternity home tax credit cap §135.600	\$0 to (\$500,000)	\$0 to (\$500,000)	\$0 to (\$500,000)
<u>Revenue Reduction</u> - increasing the pregnancy resource center tax credit cap	\$0 to (\$500,000)	\$0 to (\$500,000)	\$0 to (\$500,000)
<u>Revenue Reduction</u> - increasing the food pantry tax credit cap §135.647	<u>\$0 to (\$500,000)</u>	<u>\$0 to (\$500,000)</u>	<u>\$0 to (\$500,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0 to (\$1,500,000)</u>	<u>\$0 to (\$1,500,000)</u>	<u>\$0 to (\$1,500,000)</u>

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 2015 (10 Mo.)	FY 2016	FY 2017
<u>FISCAL IMPACT - Small Business</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Small businesses that claim these credits could be impacted.

FISCAL DESCRIPTION

This bill specifies that the cumulative amount of tax credits that may be claimed by all the taxpayers contributing to maternity homes in any one fiscal year cannot exceed \$2 million for all fiscal years ending on or before June 30, 2014, and \$2.5 million for all fiscal years beginning on or after July 1, 2014.

This bill specifies that the cumulative amount of tax credits that may be claimed by all the taxpayers contributing to pregnancy resource centers in any one fiscal year cannot exceed \$2 million for all fiscal years ending on or before June 30, 2014, and \$2.5 million for all fiscal years

FISCAL DESCRIPTION (continued)

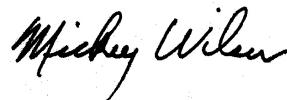
beginning on or after July 1, 2014.

Currently, taxpayers that make donations to food pantries may be eligible for an income tax credit. The amount of food pantry tax credits that may be issued in a fiscal year is limited to \$1.25 million. This act raises the cap to \$1.75 million, beginning with the 2015 fiscal year.

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



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April 24, 2014

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