

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5108-04
Bill No.: SCS for SB 729
Subject: Department of Economic Development; Education, Elementary and Secondary;
Education, Higher; Science and Technology; Tax Credits
Type: Original
Date: February 21, 2014

Bill Summary: This proposal creates a tax credit for donations to Innovation Campuses.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue*	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

* Revenues and costs net to zero

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 8 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

In response to the previous version of this proposal, officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal would not fiscally impact BAP. This bill creates a tax credit for private contributions to innovation campus partnerships (whether personal or corporate) at 50 percent of the contribution received, which would be paid back to the state by the innovation campus partnership. This tax credit would be revenue neutral to the state because innovation campus partnerships will pay the state the amount of the tax credits issued. There is a positive and negative impact to General and Total State Revenues, which would net to \$0.

Officials at the **Department of Economic Development (DED)** assume §620.2600 creates the Innovation Campus Tax Credit Act which allows an innovation education campus to receive tax credits from DED in an amount equal to their cash value. DED would create and administer guidelines for the program, accept and approve applications, and also conduct compliance.

DED assumes this proposal will result in no fiscal impact because in order for an eligible innovation campus to obtain a tax credit for a donation made they must present DED with the cash value for that tax credit.

Officials at the **Department of Elementary and Secondary Education** assume tax subsidies reduce the state's tax revenues and decrease the amount of money available for public schools and all public school students.

In response to the previous version of this proposal, officials at the **Department of Higher Education** assume this proposal would not fiscally impact them. However, it has the potential to reduce state revenues, which could impact funds available for higher education related entities and programs.

Officials at the **Department of Revenue (DOR)** assume this proposal would require computer programming changes to various tax systems. The IT is estimated to be \$22,932 for 840 FTE hours. The Personal Tax Division would require one Revenue Processing Technician I per 6,000 credits redeemed. The Corporation Tax Division would need three Revenue Processing Technicians I for tax credits redeemed, tax credit transfers and compliance mailings and correspondence. The Collections and Tax Assistance Division would need two Tax Collection Technicians I for additional contacts on the delinquent and non-delinquent tax lines and one Revenue Processing Technician I for additional contacts to the field offices.

ASSUMPTION (continued)

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 computer programming 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.

Oversight assumes DOR's Personal, Corporate, and Collections Tax Assistance Divisions could absorb the responsibilities of this tax credit with existing resources. Should DOR experience the number of additional tax credit redemptions to justify additional FTE, they could seek the FTE through the appropriation process.

In response to the previous version of this proposal, officials at the **Fulton School District** assume the effect of the new tax credit is unknown.

In response to the previous version of this proposal, officials at the **Metropolitan Community College** assume the impact is uncertain. Possible increased donations for innovation, but would the tax credit impact our state funding?

In response to the previous version of this proposal, officials at the **Francis Howell School District** assume any tax credit program reduces the revenue coming into the state, which impacts the state's ability to fully fund its programs, including K-12 education. The District does not have enough information to determine the impact.

In response to the previous version of this proposal, officials at the **Johnson County R-VII School District**, the **Joint Committee on Administrative Rules**, the **Missouri Western State University** and the **University of Missouri** each assume there is no fiscal impact to their respective organizations from this proposal.

Officials at the **Northwest Missouri State University** assume there would be a cost to the state equal to the payment required to be sent to the State.

In response to the previous version of this proposal, officials at the **Malden School District** assume anytime that there is an increase in the number of tax credits issued there is potentially a corresponding decrease in General Revenue. Since General Revenue is the major source of funding for the foundation formula, it could cause less money to be available to fund the foundation formula. There is no way to calculate the impact that it could have on public schools based on the information given.

ASSUMPTION (continued)

Officials at the **Linn State Technical College**, the **Missouri State University** and the **University Central Missouri** each assume a positive impact that can not be quantified at this time.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state an unknown reduction of premium tax revenues as a result of the creation of the Innovation Campuses 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.

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 **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.

Oversight assumes that section 620.700.4(3) requires payment from the provider equal to the amount of the value of the tax credit. Oversight assumes that receipt of payment and the application of the tax credits could affect various state funds, so for the purpose of this note Oversight is showing all the payments and costs to General Revenue. Due to the timing

ASSUMPTION (continued)

differences between purchase and redemption of credits, this could result in a positive or negative impact in any given year; however, the overall result of this proposal is no impact to Total State Revenue.

Officials at the following schools: Blue Springs Public Schools, Branson Public Schools, Charleston R-I Schools, Cole R-I Schools, Columbia Public Schools, Fair Grove Schools, Independence Public Schools, Jefferson City Public Schools, Kirksville Public Schools, Kirbyville R-VI Schools, Lee Summit Public Schools, Malta Bend Schools, Mexico Public Schools, Monroe City R-I Schools, Nixa Public Schools, Parkway Public Schools, Pattonville Schools, Raymore-Peculiar R-III Schools, Raytown School District, Sedalia School District, Sikeston Public Schools, Silex Public Schools, Special School District of St. Louis County, Spickard School District, St Joseph School District, St Louis Public Schools, St. Charles Public Schools, Sullivan Public Schools and Warren County R-III School District did not respond to **Oversight's** request for fiscal impact.

Officials at the following colleges: Crowder, East Central Community College, Harris-Stowe, Jefferson College, Lincoln University, Moberly Area Community College, Missouri Southern State University, Southeast Missouri State University, State Fair Community College, St. Charles Community College, St. Louis Community College, Three Rivers Community College and the Truman State University did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Revenue</u> - Dept of Economic Development - payment for the tax credit filed with the application	Unknown	Unknown	Unknown
<u>Cost</u> - Dept of Economic Development - innovation campus tax credit (\$620.700)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>\$0</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.

FISCAL IMPACT - Local Government

FY 2015
(10 Mo.)

FY 2016

FY 2017

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Small businesses that make a donation to an Innovation Campus could be positively impacted.

FISCAL DESCRIPTION

This act creates a new tax credit for donations to innovation campuses. An innovation campus is a partnership between a Missouri high school, a four-year higher education institution, a business, and a two-year higher education institution. For a donation to be eligible for a tax credit, it must be used to advance learning in the areas of science, technology, engineering, and mathematics.

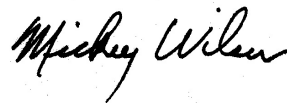
A taxpayer may receive a tax credit in an amount equal to fifty percent of the taxpayer's donation to an innovation campus. The tax credit is not refundable but may transferred or carried forward for four years. After application for a tax credit has been made, the Department of Economic Development must receive from an innovation campus an amount equal to the value of the tax credit before the tax credit will be issued.

No innovation campus tax credits shall be issued after August 28, 2020.

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 Elementary and Secondary Education
Department of Higher Education
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue
Francis Howell School District
Fulton School District
Johnson County R-VII School District
Joint Committee on Administrative Rules
Linn State Technical College
Malden School District
Metropolitan Community College
Missouri State University
Missouri Western State University
Northwest Missouri State University
Office of Administration
 Division of Budget and Planning
Office of the Secretary of State
University of Central Missouri
University of Missouri



Mickey Wilson, CPA
Director
February 21, 2014

Ross Strobe
Assistant Director
February 21, 2014