

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5167-01  
Bill No.: HB 1459  
Subject: Tax Credits; Economic Development  
Type: Original  
Date: January 30, 2014

Bill Summary: This proposal authorizes the Innovation Campus tax credit.

**FISCAL SUMMARY**

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

\* 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.

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

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 8 pages.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal would not fiscally impact BAP. This proposal 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 Elementary and Secondary Education** assume tax subsidies reduce the state's tax revenues and decrease the amount of money available for public schools and public school students.

Officials at the **University of Central Missouri (UCM)** assume by encouraging donations to Innovation Campuses such as the Missouri Innovation Campus, the proposed tax credit would potentially benefit such campuses and make it easier for partners supporting such projects to do so, including UCM. Of course it is impossible to anticipate how much funding would result from such donations, so fiscal impact cannot be estimated for the Missouri Innovation Campus, or for UCM.

Officials at the **Francis Howell School District** assume any reduction in income tax will have a negative financial impact on the District, as it reduces the amount of state revenue available to fund programs. However, without more data the District can not calculate the precise fiscal impact to the District.

Officials at the **Missouri Western State University** and the **Missouri State University** assume the impact is unknown.

Officials at the **Department of Higher Education**, the **Johnson County R-VII School District**, the **Joint Committee on Administrative Rules**, the **Lincoln University** and the **University of Missouri** each assume there is no fiscal impact to their organization from this proposal.

Officials at the **Linn State Technical College** assume an unknown positive impact from this proposal.

ASSUMPTION (continued)

Officials at the **Northwest Missouri State University** assume there would be a cost to the University for the payment required to the state in order for the tax credit to be issued.

**Oversight** assumes that section 620.2600.4(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. However, the overall result of this proposal is no impact to Total State Revenue.

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 authorization 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.

ASSUMPTION (continued)

**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.

Officials at the **Department of Economic Development** did not respond to **Oversight's** request for fiscal impact. Oversight assumes that the existing staff should be able to handle the processing of this tax credit. Should the number of applicants reach the level to justify another FTE, then the Department could request the FTE through the appropriation process.

Officials at the **Department of Revenue** did not respond to **Oversight's** request for fiscal impact. Oversight assumes that the Department of Revenue would need to make programming changes to various tax systems and that they are provided funding each year to handle a certain amount of computer programming changes. Therefore, this proposal would not fiscally impact the Department of 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, Fulton Public School, Independence Public Schools, Jefferson City Public Schools, Kirksville Public Schools, Kirbyville R-VI Schools, Lee Summit Public Schools, Malden R-I 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, Kansas City Metro Community College, 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
<b>GENERAL REVENUE</b>			
<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 (\$620.2600)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

**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
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill creates a tax credit for donations to innovation campuses for programs that advance learning in the areas of science, technology, engineering, and mathematics. An innovation campus is a partnership consisting of a high school or K through 12 school district, a Missouri four-year public or private institution of higher learning, a Missouri-based business, and a Missouri two-year public higher education institution.

The tax credit is available for taxes imposed under Chapter 143 RSMo, other than withholding taxes; 147; and 148. The credit is equal to 50% of the donation and may be carried forward for up to four years or transferred. To claim the credit the innovation campus may submit to the

FISCAL DESCRIPTION (continued)

Department of Economic Development an application for the tax credit on behalf of the taxpayer.

The provision of the bill will expire six years from the effective date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

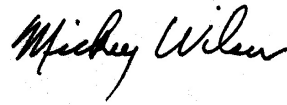
SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Department of Higher Education  
Department of Insurance, Financial Institutions and Professional Registration  
Francis Howell School District  
Johnson County R-VII School District  
Joint Committee on Administrative Rules  
Lincoln University  
Linn State Technical 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

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**Not Responding**

Department of Economic Development  
Department of Revenue

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, slightly slanted style.

Mickey Wilson, CPA  
Director  
January 30, 2014

Ross Strobe  
Assistant Director  
January 30, 2014