

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5167-02
Bill No.: HCS for HB 1459
Subject: Tax Credits; Economic Development
Type: Original
Date: February 14, 2014

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

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)** assumed 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 Economic Development** assume there is no fiscal impact from this proposal.

In response to the previous version of this proposal, officials at the **Department of Elementary and Secondary Education** assumed tax subsidies reduce the state's tax revenues and decrease the amount of money available for public schools and public school students.

In response to the previous version of this proposal, officials at the **University of Central Missouri (UCM)** assumed 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.

In response to the previous version of this proposal, officials at the **Francis Howell School District** assumed any reduction in income tax would 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.

In response to the previous version of this proposal, 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 assumed there was no fiscal impact to their organization from this proposal.

ASSUMPTION (continued)

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

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 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
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 (\$620.2600)	<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.

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

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.

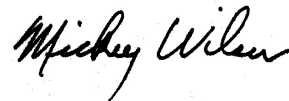
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
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

Not Responding

Department of Revenue



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Director
February 14, 2014

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Assistant Director
February 14, 2014