

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5167-02
Bill No.: Truly Agreed To and Finally Passed HCS for HB 1459
Subject: Tax Credits; Economic Development
Type: Original
Date: May 19, 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

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

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 **Department of Revenue (DOR)** assume this proposal would require computer programming changes to various tax systems. The IT is estimated at \$22,932 for 840 FTE hours.

DOR's Personal Tax Division would require one Revenue Processing Technician I per 6,000 tax credits redeemed. DOR's Corporate Tax Division will require three Revenue Processing Technicians I for tax credits redeemed, tax credits transferred and compliance mailings and correspondence. DOR's Collections and Tax Assistance Division will require 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 office.

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 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 it is unclear how many taxpayers would participate in this program. Oversight assumes that DOR could handle this credit with existing resources. Should the number of credits redeemed equal the number to justify additional FTE, DOR could request those FTE through the appropriation process.

ASSUMPTION (continued)

Officials at the **Department of Higher Education**, the **Joint Committee on Administrative Rules**, the **Special School District** and the **University of Missouri** each assume there was no fiscal impact to their organization from this proposal.

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 **Missouri State University** assume the impact is unknown.

Officials at the **Lincoln University** assume this proposal will be beneficial to the University since it currently has an innovation campus grant. This grant would allow us (Innovation Campus) to accept donations which would further enhance the opportunities that the program provides for the Jefferson City community, students, and institutions involved. The program will also provide increased revenues to not only expand the innovation campus program, but expand the revenue base for the institutions involved by selling or transferring the tax credits.

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

Officials at the **St. Louis Community College** responded to Oversight but did not indicate a fiscal impact.

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

ASSUMPTION (continued)

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.

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, Francis Howell School District, Fulton Public School, Independence Public Schools, Jefferson City Public Schools, Johnson School District, 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, 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.

ASSUMPTION (continued)

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, Missouri Western State University, Northwest Missouri State University, Southeast Missouri State University, State Fair Community College, St. Charles 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> - Department of Economic Development - payment for the tax credit filed with the application	Unknown	Unknown	Unknown
<u>Cost</u> - Department 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 147, 148, or 143, excluding withholding tax imposed by Sections 143.191 to 143.265. The credit is equal to 50% of the donation and may be carried forward for up to four years or transferred.

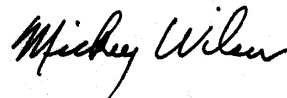
To claim the credit the innovation campus may submit to the Department of Economic Development an application for the tax credit on behalf of the taxpayer.

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
Department of Revenue
Joint Committee on Administrative Rules
Lincoln University
Linn State Technical College
Missouri State University
Office of Administration
 Division of Budget and Planning
Office of the Secretary of State
Special School District
St. Louis Community College
University of Central Missouri
University of Missouri



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