

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6260-01
Bill No.: SB 953
Subject: Department of Social Services; Tax Credits
Type: Original
Date: March 20, 2014

Bill Summary: This proposal raises the fiscal year cap for the Maternity Home Tax Credit from \$2 million to \$2.5 million.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0 to (\$500,000)	\$0 to (\$500,000)	\$0 to (\$500,000)
Total Estimated Net Effect on General Revenue Fund	\$0 to (\$500,000)	\$0 to (\$500,000)	\$0 to (\$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 5 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 increases the cap on the Maternity Homes credit from \$2 million to \$2.5 million. Average issuances under this program were \$1.6 million over the last three years, but totaled \$2 million in FY 2013. This proposal could reduce General and Total State Revenues by \$0.5 million annually, beginning in FY 2015.

Officials at the **Department of Revenue** assume no impact from this proposal; however, it will reduce state revenues.

Officials at the **Department of Social Services** assume increasing the cap of this program would allow more donations to be processed. However, this program already exists, so the Department should be able to handle the potential increase in donations with current staff.

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 increase of the aggregate amount authorized for this 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.

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

ASSUMPTION (continued)

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.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
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GENERAL REVENUE

<u>Revenue Reduction</u> - increasing the maternity home tax credit cap	<u>\$0 to (\$500,000)</u>	<u>\$0 to (\$500,000)</u>	<u>\$0 to (\$500,000)</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0 to (\$500,000)</u>	<u>\$0 to (\$500,000)</u>	<u>\$0 to (\$500,000)</u>
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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 the receive this credit would be positively impacted.

FISCAL DESCRIPTION

Currently, taxpayers may receive a tax credit for donations to maternity homes. The cumulative amount of tax credits that may be issued in a fiscal year is \$2 million. This act raises the cap to \$2.5 million per fiscal year, 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.

JH:LR:OD

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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March 20, 2014

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