

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1128-01  
Bill No.: SB 180  
Subject: Agriculture and Animals; Tax Credits  
Type: Original  
Date: January 28, 2015

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Bill Summary: This proposal creates a tax credit for adoption of dogs or cats from a shelter.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	\$0	(\$62,937 to \$27,692,623)	\$0 to (\$27,627,160)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>(\$62,937 to \$27,692,623)</b>	<b>\$0 to (\$27,627,160)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<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 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</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 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
General Revenue	0 FTE	0 or 3 FTE	0 or 3 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>0 FTE</b>	<b>0 or 3 FTE</b>	<b>0 or 3 FTE</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Revenue (DOR)** assume this proposal allows a tax credit for the adoption of a dog or cat from a shelter, kennel, or pound. It authorizes a \$300 tax credit for each qualifying animal adopted in a tax year. According to the American Society for the Prevention of Cruelty to Animals (ASPCA), there are 13,600 community animal shelters nationwide. Each year, approximately 2.7 million shelter cats and dogs are adopted. This results in an average of 200 animals adopted per shelter. In Missouri, there are an estimated 245 community animal shelters. DOR estimates a reduction of \$15 million to Total State Revenue if every adoption resulted in an allowed credit. Because the credit is subject to appropriation and is nonrefundable, the reduction in Total State Revenue may be between \$0 and \$15 million.

#### Administrative Impact:

Personal Tax requires one (1) Revenue Processing Technician I for every 6,000 credits claimed.

Collections & Tax Assistance anticipates additional customer contacts with questions regarding the credit, notice of adjustments, and billing adjustments if the taxpayer must repay the tax credit. Collections and Tax Assistance requires two (2) Tax Collection Technicians I for contacts annually on the delinquent and non-delinquent tax lines.

**Oversight** has, for fiscal note purposes only, changed the starting salary for the three Revenue Processing Technicians I (\$25,884) to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees over the last six months and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Officials at **DOR-ITSD** assume 335.88 hours of programming changes to the Individual Tax system at \$75 per hour for a cost of \$25,191 and 503.28 hours of programming changes to the Corporate Income tax system at \$75 per hour for a cost of \$37,746, for a total cost of \$62,937.

Officials at the **Office of Administration's Division on Budget and Planning (BAP)** assume General and Total State Revenues could be negatively impacted up to \$27,548,700, if each taxpayer was able to claim the entire \$300 tax credit. BAP notes that the Department of Agriculture stated 91,829 cats and dogs were adopted in 2013;  $91,829 \times \$300 = \$27,548,700$ . However, if the number of qualifying adoptions increases, costs could exceed this estimate.

ASSUMPTION (continued)

**Oversight** assumes the new credit is subject to appropriation; therefore Oversight will range the fiscal impact from \$0 (no appropriation made) up to the estimate provided by BAP. Oversight will show the same for the FTE requested by DOR.

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 **Joint Committee on Administrative Rules** and the **Department of Agriculture** each assume no fiscal impact from this proposal to their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2016	FY 2017 (6 Mo.)	FY 2018
<b>GENERAL REVENUE</b>			
<u>Revenue Reduction</u> - tax credits issued (subject to appropriation)	\$0	\$0 to (\$27,548,700)	\$0 to (\$27,548,700)
<u>Costs</u> -Dept of Revenue - OA-ITSD programming changes	\$0	(\$62,937)	\$0
<u>Costs</u> - Dept of Revenue (subject to appropriation)		\$0 or...	\$0 or...
Personal Service	\$0	(\$38,826)	(\$79,213)
Fringe Benefits	\$0	(\$20,191)	(\$40,787)
Expense and Equipment	\$0	(\$21,969)	(\$3,460)
<u>Total Costs</u> - Dept of Revenue	<u>\$0</u>	<u>(\$80,986)</u>	<u>(\$123,460)</u>
FTE Change - DOR	0 FTE	0 or 3 FTE	0 or 3 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b><u>(\$62,937 to \$27,692,623)</u></b>	<b><u>\$0 to (\$27,672,160)</u></b>
Estimated Net FTE Change on General Revenue	0 FTE	0 or 3 FTE	0 or 3 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act authorizes an income tax credit for taxpayers adopting a dog or cat from a licensed animal shelter, contract kennel, or pound. The tax credit is equal to \$300 and must be claimed in the year of the adoption. The tax credit is non-refundable and may not be carried back or forward. Taxpayers that return an adopted pet within one year of the adoption are ineligible for the tax

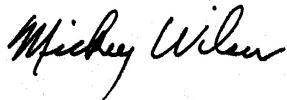
FISCAL DESCRIPTION (continued)

credit. No tax credits may be issued unless an appropriation has been made for such purpose.

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

Joint Committee on Administrative Rules  
Department of Agriculture  
Office of the Secretary of State  
Department of Revenue  
Office of Administration's Division on Budget and Planning



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Director  
January 28, 2015

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January 28, 2015