

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5001-01
Bill No.: SB 602
Subject: Agriculture and Animals; Tax Credits
Type: Original
Date: December 30, 2015

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$90,711 to \$30,287,656)	\$0 to (\$30,234,327)	\$0 to (\$30,235,409)
Total Estimated Net Effect on General Revenue	(\$90,711 to \$30,287,656)	\$0 to (\$30,234,327)	\$0 to (\$30,235,409)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	0 or 3 FTE	0 or 3 FTE	0 or 3 FTE
Total Estimated Net Effect on FTE	0 or 3 FTE	0 or 3 FTE	0 or 3 FTE

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Revenue (DOR)** assume this legislation allows a tax credit for the adoption of a dog or cat from a shelter, kennel, or pound. The bill authorizes a \$300 tax credit for each qualifying animal adopted in a tax year beginning on or after January 1, 2016.

According to the ASPCA, there are 13,600 community animal shelters nationwide. Each year people adopt approximately 2.7 million shelter cats and dogs resulting in an average of 200 animals adopted per shelter.

In Missouri, there are an estimated 245 community animal shelters. The Department 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.

OA-Budget and Planning or the Department of Agriculture may be able to provide more Missouri specific information on the potential impact.

Personal Tax requires one Revenue Processing Technician I for every 6,000 credits claimed. The section requires form and programming changes at a rate of \$75 for 335.88 hours for a total cost of \$25,191.

The Collections & Tax Assistance section 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 Tax Collection Technicians I for contacts annually on the delinquent and non-delinquent tax lines. Each technician requires CARES equipment and license.

The integrated tax system incurs additional costs of \$65,520 to implement the provisions of this legislation.

In summary, DOR assumes a need for 3 FTE, **Oversight** has, for fiscal note purposes only, changed the starting salary for the 3 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.

ASSUMPTION (continued)

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal would create a new tax credit for persons adopting a dog or cat from a qualifying Missouri kennel, shelter, or pound. There is a cap of \$300 per person, but there is no overall cap on the program beyond what may be appropriated. According to data supplied to BAP by the Missouri Department of Agriculture, there were 100,336 cats and dogs adopted in 2014.

If each of these adoptions were to be granted the tax credit, and if each taxpayer was able to claim the entire \$300 tax credit, it would negatively impact general and total state revenues up to \$30,100,800 ($100,336 \times \$300 = \$30,100,800$). However, if the number of qualifying adoptions increases, costs could exceed this estimate.

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

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.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (6 mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Revenue Reduction</u> - tax credits issued	\$0 to (\$30,100,800)	\$0 to (\$30,100,800)	\$0 to (\$30,100,800)
<u>Costs</u> -Dept of Revenue - OA-ITSD programming changes	(\$25,191)	\$0	\$0
<u>Costs</u> - Dept of Revenue - integrated system changes	(\$65,520)	\$0	\$0
<u>Costs</u> - Dept of Revenue	\$0 or...	\$0 or...	\$0 or...
Personal Service	(\$38,826)	(\$78,429)	(\$79,213)
Fringe Benefits	(\$35,837)	(\$51,703)	(\$51,917)
Expense and Equipment	<u>(\$21,482)</u>	<u>(\$3,395)</u>	<u>(\$3,479)</u>
<u>Total Costs</u> - Dept of Revenue	<u>(\$96,145)</u>	<u>(\$133,527)</u>	<u>(\$134,609)</u>
FTE Change - DOR	0 or 3 FTE	0 or 3 FTE	0 or 3 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$90,711 to \$30,287,656)</u>	<u>\$0 to (\$30,234,327)</u>	<u>\$0 to (\$30,235,409)</u>
Estimated Net FTE Change on General Revenue	0 or 3 FTE	0 or 3 FTE	0 or 3 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2017 (10 Mo.)	 FY 2018	 FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

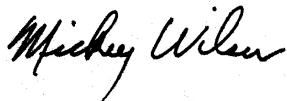
FISCAL DESCRIPTION

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 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

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



Mickey Wilson, CPA
Director
December 30, 2015

Ross Strobe
Assistant Director
December 30, 2015