COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0384-01
Bill No.: SB 116
Subject: Tax Credits; Nursing Homes and Long-term Care Facilities
Type: Original
Date: March 3, 2017

Bill Summary: This proposal allows a tax credit for certain long-term care facilities for a portion of the costs of upgrading emergency generators.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	($66,576)	(Could exceed $5,740,000)	$0
Total Estimated Net Effect on General Revenue	**($66,576)**	**(Could exceed $5,740,000)**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☒ 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 2018	FY 2019	FY 2020
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning** (**B&P**) assume this proposal creates a tax credit for a qualifying long-term facility equal to 50 percent of the cost of installing or upgrading to an approved emergency generator. This proposal could lower General and Total State Revenues by an unknown amount up to an estimated $6,980,000 total in FY 2019 to FY 2022 and could be subject to Article X, Section 18(e).

This proposal would create a tax credit for any intermediate care facility or skilled nursing facility that was built according to plans approved by the Department of Health and Senior Services on or before December 31, 1998 and which does not maintain an approved emergency generator. For all tax years beginning on or after January 1, 2018, a qualifying facility shall be allowed a tax credit in an amount equal 50 percent of the cost of installing or upgrading to an approved emergency generator. Based on information provided by Department of Health and Senior Services, it is estimated there would be 349 qualifying facilities in Missouri and the cost of an emergency generator is $40,000 each. Fifty percent of 349 generators at a cost of $40,000 each would result in a total tax credit of $6,980,000.

Any tax credit not claimed in the tax year can be carried forward to subsequent tax years, not to exceed a total of five years. This proposal could reduce General Revenue beginning in FY 2019. The section shall expire on December 31, 2021.

Officials at the **Department of Revenue** assume this would require form and programming changes. The integrated tax system would require $66,576 to implement the provisions of this proposal. The Corporate Tax Division would require three Revenue processing Technicians $27,185) per 6,000 tax credits redeemed, and 4,000 tax credit transfers.

Officials at the **Department of Economic Development** and the **Department of Social Services** each assume there is no fiscal impact from this proposal to their respective departments.

Officials from the **Department of Health and Senior Services** defer to the Office of Administration's Division of Budget & Planning to calculate the loss to General Revenue for this tax credit.

Oversight notes this proposal provides a tax credit for a qualifying facility in the amount of fifty percent of the cost of installing or upgrading to an approved emergency generator. The qualifying facility is any intermediate care facility or skilled nursing facility which was built before December 31, 1998.

ASSUMPTION (continued)

Oversight notes the changes in this proposal would be effective beginning January 1, 2018, and the first income tax returns would be filed reflecting these changes in January, 2019 (FY 2019). For fiscal note purposes, Oversight will assume that all the qualifying facilities will install the emergency generators in the first year of this tax credit. Therefore, Oversight will show all the revenue reductions occurring in the year in which the affected tax returns could first be filed FY 2019.

Oversight notes the "Long-Term Care Emergency Preparedness Report & Emergency Generator Report, Results from the 2012-2013 Survey of Missouri's Licensed LTC Homes" (Report) done by the Department of Health and Senior Services questioned facilities about whether they had emergency generators. The survey was sent to the 1,143 Missouri homes. 819 Missouri Long Term Care homes completed the survey which included 439 Skilled Nursing Facilities, 27 Intermediate Care Facilities, 149 Assisted Living Facilities and 204 Residential Care Facilities.

The Report showed that 35% of the 819 facilities (287) did not have an emergency generator, while 65% have a generator. The Report showed that 5% of the facilities (41) that do not have a generator, are pre-wired to accept a temporary generator.

Oversight requested from the Department of Health and Senior Services information as to how they came up with the 349 facilities that do not have an emergency generator. They stated they knew there were 511 qualifying facilities in 2008 and 71% did not have a generator. They assumed 10 fewer in 1998 than 2008 and that the same 71% would not have a generator.

Oversight for fiscal note purposes will show the 287 facilities that responded to the survey as those that would qualify for this tax credit. Due to the fact that 324 facilities did not respond to the survey, Oversight will show the impact as could exceed the 287 facilities.

Oversight assumes that the Department of Revenue would be able to absorb the work created by this tax credit with existing resources as it has been noted there would only be approximately 287 facilities eligible for the credit.

Oversight is unable to determine the average cost of an emergency generator. The cost of a generator is based on the size of the facility, and what the generator would need to support. The Department of Health and Senior Services provided the $40,000 estimate based on their engineer's work with generators. Oversight will show the impact as the $40,000 estimate provided by the Department of Health and Senior Services. Therefore, 287 x $40,000 x 50% = $5,740,000.

ASSUMPTION (continued)

Officials at the **Joint Committee on Administrative Rules** assume there is no fiscal impact from this proposal.

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.

FISCAL IMPACT - State Government	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE			
Revenue Reduction - tax credit for emergency generators §135.2500	$0	(Could exceed $5,740,000)	$0
Cost - DOR integrated tax system	($66,576)	$0	$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	**($66,576)**	**(Could exceed $5,740,000)**	**$0**

FISCAL IMPACT - Local Government	FY 2018 (10 Mo.)	FY 2019	FY 2020
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Qualifying long-term care facilities that are small businesses would be able to claim a tax credit equal to 50% of the cost of the installation of an emergency generator.

FISCAL DESCRIPTION

For all tax years beginning on or after January 1, 2018, this act creates a tax credit for up to fifty percent of the cost of installing or upgrading to an approved emergency generator, as defined in the act. Such tax credit shall be available to intermediate care facilities and skilled nursing facilities which were approved by the Department of Health and Senior Services on or before December 31, 1998. The tax credit is non-refundable, but may be carried forward to any subsequent taxable year, not to exceed five years.

The tax credit will sunset on December 31, 2021, unless re-authorized by the General Assembly.

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 Health and Senior Services
Department of Revenue
Department of Social Services
Joint Committee on Administrative Rules
Office of Administration -
    Division of Budget & Planning
Office of the Secretary of State

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