

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0564-01
Bill No.: SB 15
Subject: Tax Credits
Type: Original
Date: December 30, 2016

Bill Summary: This proposal re-authorizes tax credits for contributions to maternity homes and pregnancy resource centers.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2021)
General Revenue	\$0	\$0	\$0	(Up to \$5,000,000)
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0	(Up to \$5,000,000)

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 2018	FY 2019	FY 2020	Fully Implemented (FY 2021)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$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 2018	FY 2019	FY 2020	Fully Implemented (FY 2021)
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2021)
Total Estimated Net Effect on FTE	0	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	Fully Implemented (FY 2021)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§135.600 Maternity Home Tax Credit

Officials at the **Office of Administration's Division of Budget and Planning (B&P)** assume this part of the proposal extends the final date to issue tax credits for contributions to maternity homes to June 30, 2026. Because this proposal extends an existing credit, this will not directly impact Total State Revenue.

B&P notes that authorized and issued tax credits under the Maternity Home Tax Credit have averaged \$2.1 million and redemptions have averaged \$1.7 million over the last three years.

Oversight notes the Maternity Home tax credit is currently scheduled to terminate on June 30, 2020 (FY 2020). This proposal would extend the credit until June 30, 2026 (FY 2026).

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 2014	FY 2015	FY 2016	FY 2017	FY 2018 Projected
Certificates Issued (#)	2,406	2,572	2,883	2,600	2,600
Amount Authorized	\$1,810,790	\$2,104,022	\$2,499,405	\$2,400,000	\$2,400,000
Amount Issued	\$1,810,790	\$2,104,022	\$2,499,405	\$2,400,000	\$2,400,000
Amount Redeemed	\$2,051,028	\$1,511,157	\$1,657,333	\$1,700,000	\$1,700,000

Oversight will show the impact up to the cap of \$2,500,000 beginning in FY 2021.

§135.630 Pregnancy Resource Center Tax Credit

Officials at the **B&P** assume this part of the proposal extends the sunset date related to tax credits for contributions to pregnancy resource centers until December 31, 2025. Because this proposal extends an existing credit, this will not directly impact Total State Revenue.

B&P notes that authorized and issued tax credits under the Pregnancy Resource Centers Tax Credit have averaged \$2.3 million and redemptions have averaged \$1.7 million over the last three years.

ASSUMPTION (continued)

Oversight notes the Pregnancy Resource Center tax credit is currently scheduled to terminate on December 31, 2019 (FY 2020). This proposal would extend the credit until December 31, 2025 (FY 2026).

Oversight notes according to the Tax Credit Analysis submitted by the Department of Social Services regarding this program, the Pregnancy Resource Center tax credit program had the following activity;

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018 Projected
Certificates Issued (#)	3,646	4,245	4,363	4,000	4,000
Amount Authorized	\$1,998,699	\$2,326,435	\$2,499,442	\$2,400,000	\$2,400,000
Amount Issued	\$1,998,699	\$2,326,435	\$2,499,442	\$2,400,000	\$2,400,000
Amount Redeemed	\$1,715,600	\$1,581,045	\$1,845,875	\$1,700,000	\$1,700,000

Oversight will show the impact up to the cap of \$2,500,000 beginning in FY 2021.

Bill as a Whole

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

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume an unknown reduction of premium tax revenues as a result of continuing Maternity Homes Contribution and the Pregnancy Resource Center tax credits. 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 through out 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.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020	Fully Implemented (FY 2021)
GENERAL REVENUE				
<u>Revenue Reduction</u> - extension of maternity home tax credit (\$135.600)	\$0	\$0	\$0	(Up to \$2,500,000)
<u>Revenue Reduction</u> - extension of pregnancy resource tax credit (\$135.630)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	(Up to <u>\$2,500,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	(Up to <u>\$5,000,000</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 2018 (10 Mo.)	FY 2019	FY 2020	Fully Implemented (FY 2021)
	<u>\$0</u>	<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 re-authorizes a tax credit for contributions made to maternity homes until June 30, 2026.

The act also modifies the definition of "maternity homes" to require that a maternity home not be a hospital or ambulatory surgical center, not perform childbirths, and not perform, induce, or refer for abortions.

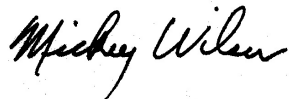
FISCAL DESCRIPTION (continued)

This act also re-authorizes a tax credit for contributions made to pregnancy resource centers until December 31, 2025.

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 Insurance, Financial Institutions and Professional Registration
Department of Revenue
Department of Social Services
Office of Administration
Division of Budget and Planning



Mickey Wilson, CPA
Director
December 30, 2016

Ross Strobe
Assistant Director
December 30, 2016