COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4663-06
Bill No.: Truly Agreed To and Finally Passed SS#2 for SCS for HCS for HB Nos. 1288, 1377 & 2050
Subject: Tax Credits
Type: Original
Date: June 4, 2018

Bill Summary: This proposal modifies provisions relating to tax credits for contributions to certain benevolent organizations.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(Up to $150,000)	(Could Exceed $3,150,000)	(Could Exceed $10,750,000)
Total Estimated Net Effect on General Revenue	**(Up to $150,000)**	**(Could Exceed $3,150,000)**	**(Could Exceed $10,750,000)**

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 2019	FY 2020	FY 2021
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 18 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

§135.341 Champion for Children Tax Credit

Officials at the **Office of Administration Division of Budget and Planning** (**B&P**) assume this section expands the definition for child advocacy centers and extends the final date to issue tax credits for contributions to qualified crisis child agencies to December 31, 2025.

This section increases the cap on the Champion for Children Tax Credit to $1.5 million beginning July 1, 2019. The current cap is $1.0 million, but B&P notes the average amount of redemptions over the last three fiscal years is $999,950. B&P estimates this proposal could decrease Total State Revenue and General Revenue by $500,000 annually beginning with FY 2020.

This section states that the Champion for Children tax credit may not be assigned, transferred, or sold. B&P estimates that this provision may have a minimal unknown positive impact on Total State Revenue and General Revenue.

Officials at the **Department of Revenue** (**DOR**) note that the definition of "Child Advocacy Centers", the regional child assessment centers listed in subsection 2 of Section 210.001, is expanded to include an association based in this state, affiliated with a national association, and organized to provide support to entities listed in subsection 3 of Section 210.001. The cumulative amount of the tax credits redeemed shall not exceed one million dollars for all fiscal years ending on or before June 30, 2019, and one million five hundred thousand dollars for all fiscal years beginning on or after July 1, 2019. Tax credits may not be assigned, transferred or sold. The program authorized under this section shall be re-authorized as of December 31, 2019, and shall expire on December 31, 2025, unless re-authorized by the general assembly.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Champion for Children tax credit program had the following activity;

	FY 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Amount Redeemed	$999,990	$999,987	$999,873	$999,999	$999,999

Amount Outstanding - not declared   Amount Authorized but Unissued - not declared

Oversight notes this tax credit has a $1 million annual cap. This proposal increases the annual cap to $1.5 million and changes the stop date of this tax credit from December 31, 2019 (FY 2020) to December 31, 2025. The credit is given to a taxpayer up to 50% of the donation they

ASSUMPTION (continued)

made to a qualified agency.

Oversight notes this tax credit has been near the $1 million cap. Increasing the cap could result in more taxpayers filing for the credit. This proposal expands the cap on the tax credit stating July 1, 2019 (FY 2020) and therefore, Oversight will reflect the increase in the cap starting in FY 2020.

§135.600 Maternity Home Tax Credit

Officials at the **B&P** assume this section would extent the sunset date on the Maternity Home tax credit from 6/30/2020 to 12/31/2024.

This section would increase the annual authorization cap from $2.5 million to $3.5 million beginning July 1, 2019. B&P notes that the three-year average authorizations amount is $2.4 million. Therefore, B&P estimates that this provision could reduce Total State Revenue and General Revenue by $1 million annually beginning with FY 2020.

Section 135.600.6 states that if the amount of tax credits redeemed in a fiscal year is less than the amount authorized, the difference shall be carried forward and shall be added to the cumulative amount of tax credits that may be authorized. B&P notes that the language appears to add the difference between authorizations and redemptions in year 1 and that difference is to be added to the authorization limit allowed in year 2. This could allow authorizations in subsequent fiscal years to exceed the cap set in statute. The three-year average authorizations amount is $2.4 million, while the three-year average redemption amount is $1.9 million. Based on that difference, B&P estimates that this provision could add approximately $500,000 to the authorization cap every fiscal year. Therefore, B&P estimates that this provision could reduce Total State Revenue and General Revenue by $500,000 in FY 2019, and compounding by $500,000 every fiscal year thereafter.

This section states that the Maternity Home tax credit may not be assigned, transferred, or sold. B&P estimates that this provision may have a minimal unknown positive impact on Total State Revenue and General Revenue.

This section also reduces the carry-forward allowance from four years to one year. B&P notes that while this provision will not impact Total State Revenue, there could be a cash flow impact to General Revenue as redemptions may occur sooner than they otherwise would have.

Officials at the **DOR** note changes to the definition of "Maternity home"(see underlines), a residential facility located in this state: established for the purpose of providing housing and

ASSUMPTION (continued)

assistance to pregnant women who are carrying their pregnancies to term; that does not perform, induce, or refer for abortions and that does not hold itself out as performing, inducing, or referring for abortions; that provides services at no cost to clients; and that is exempt from income taxation under the United States Internal Revenue Code.

However, any tax credit that cannot be claimed in the tax year the contribution was made may be carried over only to the next succeeding tax year. No tax credit issued under this section shall be assigned, transferred, or sold.

The cumulative amount of tax credits which may be claimed by all the taxpayers contributing to maternity homes in any one fiscal year shall not exceed two million dollars for all fiscal years ending on or before June 30, 2014, and two million five hundred thousand dollars for all fiscal years beginning on or after July 1, 2014, and ending on or before June 30, 2019, and three million five hundred thousand dollars for all fiscal years beginning on or after July 1, 2019. Tax credits shall be issued in the order contributions are received. If the amount of tax credits redeemed in a fiscal year is less than the cumulative amount authorized under this subsection, the difference shall be carried over to the subsequent fiscal year or years and shall be added to the cumulative amount of tax credits that may be authorized in that fiscal year or years.

The provisions of the program authorized under this section shall automatically sunset on December thirty-first six years after the effective date of this subsection unless re-authorized by an act of the general assembly; if such program is re-authorized, the program authorized under this section shall automatically sunset on December thirty-first six years after the effective date of the re-authorization of this section; this section shall terminate on September first of the calendar year immediately following the calendar year in which the program authorized under this section is sunset; and the provisions of this subsection shall not be construed to limit or in any way impair the Department's ability to issue tax credits authorized on or before the date the program authorized under this section expires or a taxpayer's ability to redeem such tax credits.

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;

ASSUMPTION (continued)

	FY 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Certificates Issued	2,572	2,883	2,113	2,500	2,500
Amount Authorized	$2,104,022	$2,499,405	$2,482,714	$2,450,000	$2,450,000
Amount Issued	$2,104,022	$2,499,405	$2,482,714	$2,450,000	$2,450,000
Amount Redeemed	$1,511,157	$1,657,333	$2,422,510	$1,850,000	$1,850,000

Amount Outstanding - $2,115,891 Amount Authorized but Unissued - $0

Oversight notes the Maternity Home tax credit has a $2,500,000 annual cap. Currently, this tax credit is to stop on June 30, 2020. This proposal removes the stop date and replaces it with a six year sunset. This program would now sunset on December 31, 2024. Oversight notes this bill would extend the Maternity Home tax credit from FY 2020 to FY 2025. Additionally, this proposal raises the cap to $3,500,000. Oversight will show the additional cap of $1,000,000 in FY 2020 and the full amount of $3,500,000 beginning in FY 2021.

Oversight notes this proposal adds language allowing the cumulative cap to be increased in future years by the amount of credits redeemed below the limit annually. Oversight will show a potential unknown amount of tax credits issued because of this cap increase.

§135.621 Diaper Bank Tax Credit

Officials at the **B&P** assume §135.621 would create a tax credit for qualified contributions to qualified diaper bank, beginning with fiscal year 2020. A taxpayer shall be allowed a credit up to 50 percent of the qualified contribution, but the credit shall not exceed $50,000 per tax year. The tax credit shall not be refundable, cannot be carried forward for one year, and may not be transferred, sold, or assigned. This program has a sunset date of December 31, 2024.

Section 135.621.8 places an annual cumulative cap of $500,000 on the amount of tax credits that may be claimed per tax year. Therefore, B&P estimates that this section may reduce Total State Revenue and General Revenue by $500,000 annually beginning in FY 2020.

Officials at the **DOR** assume that for all fiscal years beginning on or after July 1, 2019, a taxpayer shall be allowed to claim a tax credit against the taxpayer's state tax liability in an amount equal to fifty percent of the amount of such taxpayer's contributions to a qualified diaper bank. The amount of tax credit claimed shall not exceed the amount of the taxpayer's state tax liability for the tax year which the credit is claimed, and such taxpayer shall not be allowed to claim a tax credit in excess of fifty thousand dollars per tax year. Parts of the tax credit exceeding the taxpayer's state tax liability may be carried over to the next subsequent tax year. No tax credits issued under the provisions of this section shall be assigned, transferred or sold.

ASSUMPTION (continued)

No tax credit shall be issued for activities that are a part of the normal course of business of the taxpayer. To claim a tax credit under this section, a taxpayer shall submit a tax credit certificate issued by the Department under this section with the taxpayer's tax return. The cumulative amount of tax credits that may be claimed under this section in a tax years shall not exceed five hundred thousand dollars. Tax credits shall be issued on a first come, first serve basis.

The Personal Tax Section will require one Revenue Processing Technician I ($26,340) for every 6,000 tax credits redeemed. The Corporate Tax Section will require one Revenue Processing Technician I ($26,340) for every 6,000 tax credits redeemed. Corporate Tax requires one Revenue Processing Technician I ($26,340) for every 520 SB 1099 compliance mailings and correspondence.

Oversight notes this proposal allows a taxpayer to claim up to $50,000 in credits. Therefore, the number of taxpayers receiving the credits could be as low as 10. Oversight assumes DOR will be able to handle this new tax credit with existing resources. Should DOR experience the number of additional tax credit redemptions to justify another FTE, they could seek that FTE through the appropriation process.

Oversight found for informational purposes, the National Diaper Bank Network reports there are 224,469 children in Missouri under the age of 3. Currently, there are 10 diaper banks in Missouri that distribute 1,587,439 diapers annually. They are located in:

Columbia
Springfield
Fenton
Higginsville
New Madrid
Richmond
St. Louis
St. Joseph

Oversight notes this proposal creates a tax credit for 50% of a contribution made to a diaper bank. This credit is to begin July 1, 2019, therefore Oversight will show the credit in the year in which tax returns would first be filed, FY 2020. This credit has a $500,000 cap so Oversight will show the impact as Up to the $500,000.

ASSUMPTION (continued)

§135.630 Pregnancy Resource Center Tax Credit
Officials at the **B&P** assume this section would extent the sunset date on the Pregnancy Resource Center tax credit from 6/30/2020 to 12/31/2024.

This section would increase the annual authorization cap from $2.5 million to $3.5 million beginning July 1, 2019. B&P notes that the three-year average authorizations amount is $2.4 million. Therefore, B&P estimates that this provision could reduce Total State Revenue and General Revenue by $1 million annually beginning with FY 2020.

Section 135.630.6 states that if the amount of tax credits redeemed in a fiscal year is less than the amount authorized, the difference shall be carried forward and shall be added to the cumulative amount of tax credits that may be authorized. B&P notes that the language appears to add the difference between authorizations and redemptions in year 1 and that difference is to be added to the authorization limit allowed in year 2. This could allow authorizations in subsequent fiscal years to exceed the cap set in statute. The three-year average authorizations amount is $2.4 million, while the three-year average redemption amount is $1.9 million. Based on that difference, B&P estimates that this provision could add approximately $500,000 to the authorization cap every fiscal year. Therefore, B&P estimates that this provision could reduce Total State Revenue and General Revenue by $500,000 in FY 2019, and compounding by $500,000 every fiscal year thereafter.

This section states that the Pregnancy Resource Center tax credit may not be assigned, transferred, or sold. B&P estimates that this provision may have a minimal unknown positive impact on Total State Revenue and General Revenue.

This section also reduces the carry-forward allowance from four years to one year. B&P notes that while this provision will not impact Total State Revenue, there could be a cash flow impact to General Revenue as redemptions may occur sooner than they otherwise would have.

Officials at the **DOR** assume that any tax credit that cannot be claimed in the tax year the contribution was made may be carried over only to the next succeeding tax year. No tax credit issued under this section shall be assigned, transferred, or sold.

The cumulative amount of tax credits which may be claimed by all the taxpayers contributing to pregnancy resource centers in any one fiscal year shall not exceed two million dollars for all fiscal years ending on or before June 30, 2014, and two million five hundred thousand dollars for all fiscal years beginning on or after July 1, 2014, and ending on or before June 30, 2019, and three million five hundred thousand dollars for all fiscal years beginning on or after July 1, 2019.

ASSUMPTION (continued)

If the amount of tax credits redeemed in a fiscal year is less than the cumulative amount authorized under this subsection, the difference shall be carried over to a subsequent fiscal year or years and shall be added to the cumulative amount of tax credits that may be authorized in that fiscal year or years.

The provisions of the program authorized under this section shall automatically sunset December thirty-first six years after the effective date of this section, unless re-authorized by an act of the general assembly; if such program is re-authorized, the program authorized under this section shall automatically sunset on December thirty-first six years after the effective date of the re-authorization of this section.

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 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Certificates Issued	4,245	4,363	4,628	4,400	4,400
Amount Authorized	$2,326,435	$2,499,442	$2,443,386	$2,450,000	$2,450,000
Amount Issued	$2,326,435	$2,499,442	$2,443,386	$2,450,000	$2,450,000
Amount Redeemed	$1,581,045	$1,845,875	$2,183,505	$1,900,000	$1,900,000

Amount Outstanding - $2,369,413 Amount Authorized but Unissued - $0

Oversight notes the Pregnancy Resource Center tax credit has a $2,500,000 annual cap. Currently, this tax credit is to sunset on December 31, 2019 (FY 2020). This proposal extends the sunset date until December 31, 2024. Oversight notes the bill would extend the Pregnancy Resource Center tax credit from FY 2020 to FY 2025. Additionally, this proposal raises the cap to $3,500,000. Oversight will show the additional cap of $1,000,000 in FY 2020 and the full amount of $3,500,000 beginning in FY 2021.

Oversight notes additionally, this proposal adds language allowing the cumulative cap to be increased in future years by the amount of credits not redeemed annually. Oversight will show a potential unknown amount of tax credits issued because of this cap increase.

This tax credit allows a taxpayer a credit up to 50% of their donation to a pregnancy resource center.

ASSUMPTION (continued)

§135.647 Food Pantry Tax Credit
Officials at the **B&P** assume this section amends the Food Pantry tax credit and extends the sunset date from 12/31/2019 to 12/31/2026. This provision would also add food donations to homeless shelters and soup kitchens. B&P estimates that this provision will not impact Total State Revenue or the calculation under Article X, Section 18(e).

Officials at the **DOR** assume that a homeless shelter is: exempt from taxation under Section 501© (3) of the Internal Revenue Code of 1986, as amended, and provides temporary living arrangements, in the area in which the taxpayer claiming the tax credit under this section resides, for individuals and families who otherwise lack a fixed, regular, and adequate nighttime residence and lack the resources or support networks to obtain other permanent housing;

"Local soup kitchen" is: any soup kitchen that is: exempt from taxation under Section 501 © (3) of the Internal Revenue code of 1986, as amended, and provides prepared meals through an established congregate feeding operation to needy, low-income persons including, but not limited to, homeless person in the area in which the taxpayer claiming the tax credit under this section resides.

Beginning on August 28, 2018, any donation of cash or food made to a local soup kitchen or local homeless shelter on or after January 1, 2018, unless such food is donated after the food's expiration date, shall be eligible for a tax credit as provided under this section. No taxpayer shall be able to claim more than one credit under this section for a single donation.

The program authorized under this section shall be re-authorized as of August 28, 2018, and shall expire on December 31, 2026, unless re-authorized by the general assembly.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Food Pantry tax credit program had the following activity;

	FY 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Amount Redeemed	$1,118,866	$1,155,480	$1,584,566	$1,585,000	$1,585,000

Oversight notes this tax credit has a $1,750,000 annual cap. A portion of this proposal changes the sunset date of this tax credit from December 31, 2019 (FY 2020) to December 31, 2026. The credit is given to a taxpayer up to 50% of the donation they made to a qualified food pantry.

ASSUMPTION (continued)

Oversight notes a portion of this proposal expands the tax credit from donations to food pantries to include soup kitchens and homeless shelters as well. Oversight notes the FY 2017 redemptions (and projections for FY 2018 and FY 2019) were approximately $1.6 million; about $150,000 less than its current cap. This proposal would expand the taxpayers that may be eligible to claim the credit starting in FY 2019 and could increase participation in the program. Oversight will show the possibility of increased redemptions in FY 2019 and 2020 of Up to $150,000.

§135.800 Tax Credit Accountability Act
Officials at the **B&P** assume §135.800 adds the diaper bank tax credit to the definition of domestic and social credits.

Oversight assumes that adding a credit to the tax credit accountability act would not have a fiscal impact.

§135.1125 Unmet Health Needs Tax Credit
Officials at the **B&P** assume this section would create a new tax credit for donations to organizations that provide funding for unmet health, hunger, and hygiene needs of children in school, beginning with tax year 2019. The tax credit shall be worth 50% of the donation made. The organization receiving the donation shall remit 50% of the donation to the Department of Social Services before a tax credit is granted. There is no cap on this tax credit; it shall be non-refundable and may be carried forward for four tax years. The tax credit includes a sunset provision with a 12/31/2024 date. Since the organization receiving the donation is required to remit 50% of that donation before a tax credit is granted, B&P estimates that this section will not impact Total State Revenue or the calculation under Article X, Section 18(e).

Officials at the **DOR** assume that for all taxable years beginning on or after January 1, 2019, any taxpayer shall be allowed a credit against the taxes otherwise due under Chapter 143 or 148, excluding withholding tax under Sections 143.191 to 143.265, in an amount equal to fifty percent of the amount of an eligible donation. The amount of the tax credit claimed shall not exceed the amount of the taxpayer's state income tax liability in the tax year for which the credit is claimed. Any amount of credit that the taxpayer is prohibited by this section from claiming in a tax year shall not be refundable, but may be carried forward to any of the taxpayer's four subsequent taxable years.

The Department shall verify that the provider has submitted the following items accurately and completely: a valid application in the form and format required by the Department; a statement attesting to the eligible donation received, which shall include the name and taxpayer

ASSUMPTION (continued)

identification number of the individual making the eligible donation, the amount of the eligible donation, and the date the eligible donation was received by the provider; and a payment from the eligible provider in an amount equal to fifty percent of the eligible donation. If the provider applying for the tax credit meets all criteria required by this subsection, the Department shall issue a certificate in the appropriate amount.

Tax credits issued under this section may be assigned, transferred, sold, or otherwise conveyed.

Pursuant to Section 23.253 of the Missouri Sunset Act; the provisions of this section shall automatically sunset six years after the effective date of this section, unless re-authorized by an act of the general assembly; and if such program is re-authorized, the program authorized under this section shall automatically sunset twelve years after the effective date of the re-authorization of this section; and this section shall terminate on September first of the calendar year immediately following the calendar year in which the program authorized under this section is sunset.

Oversight notes that based on other pre-pay tax credits (such as the Development Disability and Residential Treatment Agency tax credits), redemptions have been minimal.

Oversight assumes that §135.1125.3(3) requires payment from the provider equal to the amount of the value of the tax credit. **Oversight** assumes that receipt of payment and the application of the tax credits could affect various state funds, so for the simplicity of this note Oversight is showing all the payments and costs to General Revenue. However, the overall result of this proposal is no impact to Total State Revenue.

Oversight notes this proposal begins with tax year January 1, 2019, and therefore the first year in which those tax forms would be filed would be FY 2020. Oversight notes there is no annual cap to this program; therefore, we will assume an Unknown amount of tax credit application checks and issuances.

DOR Summary of Impact
Officials at the **DOR** assume this proposed legislation could potentially decrease state revenues by an estimated $3 million each year beginning FY 2020. The Champion for Children Tax Credit cap would increase from $1 million to $1.5 million. The Maternity Home Tax Credit cap would increase from $2.5 million to $3.5 million. The Pregnancy Resource Center Tax Credit cap would increase from $2.5 million to $3.5 million. The diaper bank tax credit cap would be $0.5 million.

ASSUMPTION (continued)

FISCAL YEAR	IMPACT
FY2019	$0
FY2020	$3,000,000
FY2021	$3,000,000

Bill as a Whole
Officials at the **Department of Social Services** and the **Joint Committee on Administrative Rules** each assume there is no fiscal impact from this proposal.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume a potential unknown reduction to premium tax revenues may occur as a result of continuing Maternity Homes Contribution, Diaper Bank Donations and the Pregnancy Resource Center and the creation of a tax credit for donations to certain benevolent organizations 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.

The department will require minimal contract computer programming to add the new tax credit for donations to certain benevolent organizations to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

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.

ASSUMPTION (continued)

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.

Oversight notes that several of the tax credits have language added that no longer allow the credits to be assigned, transferred or sold. Oversight will show an unknown savings from these provisions.

Per **Oversight** fiscal note policy, the fiscal note will reflect the extension of these tax credits starting in FY 2021.

FISCAL IMPACT - State Government	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE			
Savings - change in the ability to assign, transfer or sell some tax credits	Unknown	Unknown	Unknown
Revenue Reduction - expanding cap from $1M to $1.5 M and extension of the Champion for Children tax credit sunset date §135.341 p. 3-4	$0	(Up to $500,000)	(Up to $1,500,000)
Revenue Reduction - extension of the Maternity Home tax credit tax credit sunset date from 12/31/19 to 12/31/24 and increase in cap from $2.5M to $3.5M §135.600 p. 4-6	$0	(Up to $1,000,000)	(Up to $3,500,000)
Revenue Reduction - potential increase in the Maternity Homes tax credit cumulative cap §135.600.6 from difference in redemptions and amounts authorized - increases amounts authorized in future years p. 6	$0	(Unknown)	(Unknown)

FISCAL IMPACT - State Government (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE (continued)			
Revenue Reduction - tax credit for 50% of a contributions to a diaper bank §135.621 p. 6-7	$0	(Up to $500,000)	(Up to $500,000)
Revenue Reduction - extension of the Pregnancy Resource Center tax credit sunset date from 12/31/19 to 12/31/24 and increase in cap from $2.5M to $3.5M §135.630 p. 8-9	$0	(Up to $1,000,000)	(Up to $3,500,000)
Revenue Reduction - potential increase in the Pregnancy Resource Center cumulative cap §135.630.6 from difference in redemptions and amounts authorized - increases amounts authorized in future years p. 9	$0	(Unknown)	(Unknown)
Revenue Reduction - extension of the sunset date on the Food Pantry Tax Credit from 12/31/2019 to 12/31/2026 - and expansion of the program §135.647 p. 10-11	(Up to $150,000)	(Up to $150,000)	(Up to $1,750,000)

FISCAL IMPACT - State Government (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE (continued)			
Revenue - Department of Social Services payment for the tax credits filed with the application §135.1125.3(3) (offsets costs below) p. 11-12	$0	Unknown	Unknown
Cost - Department of Social Services needs of children tax credit §135.1125 p. 11-12	$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**(Up to $150,000)**	**(Could exceed $3,150,000)**	**(Could exceed $10,750,000)**

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.

FISCAL IMPACT - Local Government	FY 2019 (10 Mo.)	FY 2020	FY 2021
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

This proposed legislation could increase small businesses revenues. The proposed legislation would make it possible for small businesses to claim the Champion for Children Tax Credit and receive an amount in full rather than having an amount claimed reduced. Additionally, any small business that provides temporary living arrangements, in the area in which a taxpayer claiming the food pantry tax credit resides could see an increase in contributions or donations. Lastly, any small business that may provide prepared meals through an established congregate feeding operation to needy low-income persons could see an increase in contributions or donations.

FISCAL DESCRIPTION

CHAMPION FOR CHILDREN TAX CREDIT - This bill makes changes to the Champion for Children Tax Credit, a tax credit that can be claimed for verified contributions to qualified agencies, which includes child advocacy centers. The bill clarifies that for purposes of the credit a child advocacy center includes an association based in Missouri, an association affiliated with a national association, and an association organized to provide support to the regional assessment centers listed in §210.001.2. The cumulative amount of tax credits redeemed cannot exceed $1.5 million in any tax year. Tax credits cannot be transferred or sold. The bill extends the sunset date to December 31, 2025 (§135.341).

MATERNITY HOMES AND PREGNANCY RESOURCE CENTERS TAX CREDITS - This bill removes the expiration of June 30, 2020 from the tax credit for donations to maternity homes and the expiration date of December 31, 2019 from the tax credit for donations to pregnancy resource centers, increases the cap for each credit to $3.5 million beginning January 1, 2019, and states that these tax credits cannot be transferred or sold. These provisions sunset on December 31 six years after the effective date unless re-authorized (§135.600 and §135.630).

DIAPER BANK TAX CREDIT - Beginning January 1, 2019, this bill authorizes a tax credit equal to 50% of the donation to a diaper bank. The credit is non-refundable and is limited to no more than $50,000 per taxpayer, per year. The credit can be carried forward one year, but cannot be transferred or sold. The cumulative amount of credits is capped annually at $500,000 per year.

The Department of Social Services will determine which nonprofit entities qualify as diaper banks and apportion among all diaper banks the cumulative amount of tax credits. A diaper bank is required to operate primarily to collect or purchase diapers or other hygiene products for infants, children, or incontinent adults and distribute such items to schools, health care facilities, governmental agencies, or other nonprofit entities for distribution to individuals free of charge. Each diaper bank will provide donor information to the department and the department will provide this information to the Department of Revenue (Section 135.621).

The provisions of this bill will expire on December 31 six years after the effective date.

DONATED FOOD TAX CREDIT - This bill re-authorizes the Donated Food Tax Credit until December 31, 2026 and expands the tax credit to include food or cash donated to local soup kitchens or local homeless shelters (§135.647).

TAX CREDIT ACCOUNTABILITY ACT OF 2004 - This bill adds the diaper bank credit to the domestic and social tax credits (§135.800).

FISCAL DESCRIPTION (continued)

SCHOOLCHILDREN HEALTH AND HUNGER TAX CREDIT - This bill establishes a tax credit for contributions of at least $100 to qualified organizations that provide funding for unmet health, hunger, and hygiene needs of school children. The credit cannot exceed 50% of the contribution, $50,000, or the taxpayer's state tax liability.

The Director of the Department of Social Services shall determine which organizations are qualified and establish a procedure by which taxpayers can determine whether an organization is qualified. The program will sunset on December 31, 2024, unless re-authorized (§135.1125).

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
Joint Committee on Administrative Rules
Office of Administration
   Division of Budget and Planning
Office of the Secretary of State

Ross Strope

Acting Director
June 4, 2018

JH:LR:OD