

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5125-01  
Bill No.: SB 632  
Subject: Tax Credits  
Type: Original  
Date: December 21, 2017

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Bill Summary: This proposal re-authorizes the Maternity Home and Pregnancy Resource Centers tax credits.

**FISCAL SUMMARY**

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

**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.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<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 2019</b>	<b>FY 2020</b>	<b>FY 2021</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 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</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 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

**§135.600 Maternity Home tax credit**

Officials at the **Office of Administration - Division of Budget and Planning (B&P)** assume this legislation extends the final date to issue tax credits for contributions to maternity homes to June 30, 2027. 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 \$2.36 million and redemptions have averaged \$1.86 million over the last three years.

**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 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 changes the stop date to June 30, 2027. Oversight notes this Maternity Home tax credit would extend from FY 2021 to FY 2027.

This tax credit allows a taxpayer a credit up to 50% of their donation to a maternity home.

**§135.630 Pregnancy Resource Center tax credit**

Officials at the **B&P** assume this proposal extends the sunset date related to tax credits for contributions to pregnancy resource centers until December 31, 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 Pregnancy Resource Centers Tax Credit have averaged \$2.42 million and redemptions have averaged \$1.87 million over the last three years.

ASSUMPTION (continued)

**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, 2026. Oversight notes this Pregnancy Resource Center tax credit would extend from FY 2021 to FY 2027.

Bill as a Whole

Officials at the **B&P** assume this proposal will not directly impact General and Total State Revenues or the calculation pursuant to Article X, Section 18(e).

Officials at the **Department of Revenue** assume minor programming changes to change the date of the sunset.

Officials at the **Department of Social Services** 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 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.

ASSUMPTION (continued)

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

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>GENERAL REVENUE</b>			
<u>Revenue Reduction</u> - extension of the Maternity Home tax credit §135.600	\$0	\$0	(Up to \$2,500,000)
<u>Revenue Reduction</u> - extension of the Pregnancy Resource Center tax credit §135.630	<u>\$0</u>	<u>\$0</u>	(Up to <u>\$2,500,000</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b>(Up to <u>\$5,000,000</u>)</b>

**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 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that make a donation and receive the tax credit may be positively impacted.

FISCAL DESCRIPTION

This act re-authorizes a tax credit for contributions made to maternity homes until June 30, 2027.

This act also re-authorizes a tax credit for contributions made to pregnancy resource centers until December 31, 2026.

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

Ross Strope



Director  
December 21, 2017

Assistant Director  
December 21, 2017