

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6535-01
Bill No.: SB 1015
Subject: Tax Credits
Type: Original
Date: March 9, 2018

Bill Summary: This proposal creates a tax credit for contributions to diaper banks.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	\$0	(Up to \$1,000,000)	(Up to \$1,000,000)
Total Estimated Net Effect on General Revenue	\$0	(Up to \$1,000,000)	(Up to \$1,000,000)

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 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other</u> 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 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> 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

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal would create a tax credit for qualified contributions to a qualified diaper bank, beginning with tax year 2019. 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, does not allow for a carry-forward period, and may not be transferred, sold, or assigned. This program has a sunset date of December 31, 2024.

Section 135.615.4 places an annual cumulative cap of \$1 million on the amount of tax credits that may be claimed per tax year. Therefore, B&P estimates that this proposal may reduce Total State Revenue and General Revenue by \$1 million annually, beginning in FY 2020.

This proposal will reduce Total State Revenue by \$1 million annually. This proposal will impact the calculation under Article X, Section 18(e).

Officials at the **Department of Revenue (DOR)** assume for all tax years beginning on or after January 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. No portion of the tax credit exceeding the taxpayer's state tax liability shall be carried over to any other tax year. No tax credits issued under the provisions of this section shall be assigned, transferred or sold. 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 one million dollars. Tax credits shall be issued on a first come, first serve basis.

DOR's 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.

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 20. 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

ASSUMPTION (continued)

appropriation process.

Officials at the **Department of Social Services** assume the Division of Finance and Administrative Services (DFAS) will have to determine annually which organizations qualify to participate in the program. In addition, DFAS will have to develop regulations, develop forms to be used for submission by the organization on behalf of themselves and the taxpayers, update the current tax credit web site, contact organizations that potentially qualify for the program and generate an annual report for the legislature.

To accomplish the duties required by this legislation, DFAS will need one FTE at the Executive I level to review donor applications, enter applications into the Customer Management System for tax credits, return taxpayer applications to agencies, answer calls from agencies, issue credits and do filing for the estimated 500 maternity homes, pregnancy resource centers, food banks and health centers throughout Missouri that may want to take advantage of this program.

Additional duties could include promulgating rules, developing necessary forms, reviewing the agency applications annually, reviewing all non-cash donations, and developing the annual report for the General Assembly and the quarterly report for DOR.

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 assumes that the due to the limited number of current diaper banks and the potential limited number of taxpayers that could qualify for this credit of 20, that DSS could absorb the duties of this proposal with existing resources. Should DSS experience the number of additional diaper banks wanting to apply to participate, DSS could seek additional resources through the appropriation process.

ASSUMPTION (continued)

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume a potential unknown decrease of premium tax revenues as a result of creating the diaper bank donation tax credit. 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 this new tax credit 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.

Oversight notes this proposal creates a tax credit for 50% of a contribution made to a diaper bank. This credit is to begin January 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 one million dollar cap so Oversight will show the impact as Up to the \$1,000,000.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (6 Mo.)	FY 2020	FY 2021
GENERAL REVENUE			
<u>Revenue Reduction</u> - tax credit for 50% of a contributions to a diaper bank	<u>\$0</u>	(Up to <u>\$1,000,000</u>)	(Up to <u>\$1,000,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	(Up to <u>\$1,000,000</u>)	(Up to <u>\$1,000,000</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 2019 (6 Mo.)	FY 2020	FY 2021
<u>FISCAL IMPACT - Small Business</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

This proposed legislation could impact any small business who makes a qualifying donation. If a qualifying donation is made, the small business could receive a tax credit valued at 50 percent of the donation. This tax credit can be used to offset some, or all state tax liability. Subsequently, the small business(s) could pay less in taxes.

FISCAL DESCRIPTION

For all tax years beginning on or after January 1, 2019, this act authorizes a tax credit in the amount of fifty percent of a contribution to a qualified diaper bank, as defined in the act. The tax credit shall not be refundable or transferrable, and shall not be carried forward to any other tax year. No tax credit shall be issued in excess of \$50,000, and the total amount of tax credits issued under this act shall not exceed \$1 million in a given tax year.

The Department of Social Services shall annually determine which facilities in the state may be classified as a qualified diaper bank, and the Department shall publish a list of such qualified diaper banks. The Department shall submit an annual report to the General Assembly which shall list all qualified diaper banks that received contributions in the previous year, along with the number of taxpayers that received tax credit certificates.

This program shall sunset on December 31, 2024, unless re-authorized by the General Assembly.

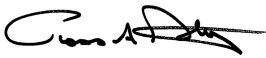
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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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

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope".

Acting Director
March 9, 2018