

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5202-01  
Bill No.: SB 958  
Subject: Tax Credits  
Type: Original  
Date: March 10, 2020

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Bill Summary: This proposal modifies provisions relating to the Domestic Violence Tax Credit.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	Up to (\$200,000)	Up to (\$1,200,000)	Up to (\$1,200,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>Up to (\$200,000)</b>	<b>Up to (\$1,200,000)</b>	<b>Up to (\$1,200,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
<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 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</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 2021</b>	<b>FY 2022</b>	<b>FY 2023</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 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 135.550 - Shelters for Victims of Domestic Violence Tax Credit

Officials from the **Office of Administration - Budget & Planning Division (B&P)** state this proposal expands the definition of "shelter for victims of domestic violence" for the Shelter for Victims of Domestic Violence tax credit. The proposal also increases the cap on the tax credit from \$2 million to \$3 million beginning in Fiscal Year 2022. This could result in a decrease of up to \$1 million in Total State Revenue (TSR) beginning in Fiscal Year 2022. This proposal could impact the calculation under Article X, Section 18(e).

**Oversight** notes B&P estimates TSR could be reduced by \$1 million beginning in Fiscal Year 2022 as a result of this proposed legislation.

Officials from the **Missouri Department of Revenue (DOR)** state, currently, a taxpayer shall be allowed to claim a tax credit against the taxpayer's state tax liability, in an amount equal to fifty percent (50%) of the amount such taxpayer contributed to a shelter for victims of domestic violence. No taxpayer is allowed to claim more than \$50,000 and the total cumulative cap on the program is two million dollars (\$2,000,000) annually.

DOR notes the current tax credit program has issued the following amount of credits:

Fiscal Year 2015	\$1,426,180
Fiscal Year 2016	\$1,892,974
Fiscal Year 2017	\$1,611,058
Fiscal Year 2018	\$1,871,245
Fiscal Year 2019	\$1,852,801

This proposal expands the existing program to allow a nonprofit organization established and operating for the purpose of a shelter for victims of domestic violence and are operated by the state or a political subdivision to also receive this credit. This could potentially expand the number of taxpayers that could claim the tax credit. Additionally, this proposal increases the cap to \$3 million starting July 1, 2021 (Fiscal Year 2022).

DOR assumes this could be an additional loss to General Revenue (GR) of \$0 (no additional credits are issued) to \$1 million (the increase in the cap).

**Oversight** notes DOR estimates this proposed legislation could reduce GR by an amount equal to \$0 to \$1 million annually.

ASSUMPTION (continued)

**Oversight** assumes the inclusion of non-profit organizations established and operating for the purpose of supporting a shelter for victims of domestic violence and are operated by the state or a local political subdivision in the definition of “shelter for victims of domestic violence” to receive tax credits, as stated by DOR, is to the effect that such entities would be allocated a specific amount of tax credits permitted to be awarded to the donors to such entity; not to the effect that such entities would claim the tax credits themselves.

Officials from the **University of Missouri’s Economic & Policy Analysis Research Center (EPARC)** state, if enacted, this bill would extend the definition of “Shelter for victims of domestic violence” to include “a nonprofit organization established and operating exclusively for the purpose of supporting a shelter for victims of domestic violence operated by the state or one of its political subdivisions.” It also increases the cumulative amount of tax credits which may be claimed by all the taxpayers contributing to shelters for victims of domestic violence from \$2 million to \$3 million beginning in Fiscal Year 2021.

Under these new conditions, EPARC cannot be sure of the exact change in demand for these credits, but EPARC can measure the potential maximum impact. EPARC did this by forecasting the credit redemptions through Fiscal Year 2023 under the current conditions, then subtracted these figures from the new proposed cap of \$3 million.

The following table shows the results of EPARC’s analysis; forecasted DVC credits for Fiscal Year 2021 through Fiscal Year 2023 and the remaining amount of DVC credits under the cap:

Fiscal Year	DVC Credits Redemption Forecast	Proposed Cap	Under the Cap
2021	\$1,502,798	\$3,000,000	\$1,497,202
2022	\$1,573,300	\$3,000,000	\$1,426,700
2023	\$1,643,803	\$3,000,000	\$1,356,197

EPARC calculate the remaining amount of credits under the \$3 million proposed cap in Fiscal Year 2021 to be \$1,497,202. This is the amount of the potential maximum impact of this bill in Fiscal Year 2021; a reduction in Net General Revenue of \$1,497,202. EPARC calculate the remaining amount of credits under the \$3 million proposed cap in Fiscal Year 2022 to be \$1,426,700. This is the amount of the potential maximum impact of this bill in Fiscal Year 2022; a reduction in Net General Revenue of \$1,426,700. EPARC calculate the remaining amount of credits under the \$3 million proposed cap in Fiscal Year 2023 to be \$1,356,197. This is the amount of the potential maximum impact of this bill in Fiscal Year 2023; a reduction in Net General Revenue of \$1,356,197.

ASSUMPTION (continued)

Officials from the **Missouri Department of Social Services (DSS)** assume the change in the Domestic Violence Tax Credit will not cause a fiscal impact on their agency.

**Oversight** notes DSS does not anticipate a fiscal impact as a result in the increased cap for the Domestic Violence Shelter Tax Credit. Oversight does not have any information to the contrary. Therefore, Oversight will report a zero fiscal impact for DSS.

**Oversight** notes, per the Tax Credit Analysis Form, for the Shelter for Victims of Domestic Violence Tax Credit, the following activity has been recognized:

	FY 2017 ACTUAL	FY 2018 ACTUAL	FY 2019 ACTUAL	FY 2020 (Est)	FY 2021 (Est)
Certificates Issued (#)	2364	2403	2035	2450	2450
Projects (#)	N/A	N/A	N/A	N/A	N/A
Amount Authorized	\$1,611,058	\$1,871,245	\$1,752,801	\$1,800,000	\$1,800,000
Amount Issued	\$1,611,058	\$1,871,245	\$1,852,801	\$1,800,000	\$1,800,000
Amount Redeemed	\$1,476,638	\$1,510,572	\$883,099	\$1,300,000	\$1,300,000

**Oversight** notes, in Fiscal Year 2020, \$1,800,000 is projected to be issued in Domestic Violence Shelter Tax Credit(s).

**Oversight** notes this proposed legislation expands the definition of “shelter for victims of domestic violence” to include a non-profit organization established and operating exclusively for the purpose of supporting a shelter for victims of domestic violence operated by the state or one of its political subdivisions. Oversight assumes the expansion of the definition of shelter for victims of domestic violence expands and increases the number of entities that are permitted to award Domestic Violence Shelter Tax Credits to donors. Oversight assumes the increase in the number of entities that are permitted to award such tax credits could increase the participation in the tax credit program.

**Oversight** further notes this proposed legislation increases, for all fiscal years beginning on or after July 1, 2021 (Fiscal Year 2022), the cumulative amount of tax credits that may be claimed by all the taxpayer’s contributing to shelters for victims of domestic violence from \$2 million to \$3 million.

ASSUMPTION (continued)

Therefore, for purposes of this fiscal note, Oversight will report the fiscal impact as an amount equal to a negative "Up to \$1,200,000" annually beginning in Fiscal Year 2022, as a result of the \$1 million increase in the cap, plus the potential increased utilization of the tax credit of \$200,000 (current \$2 million cap - Fiscal Year 2021 estimated issuances of \$1.8 million) from expanding the definition of "shelter for victims of domestic violence".

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
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**GENERAL REVENUE FUND**

<u>Revenue Reduction</u> - Section 135.550 - Increase in Domestic Violence Shelter Tax Credit Cap	<u>Up to</u> (\$200,000)	<u>Up to</u> (\$1,200,000)	<u>Up to</u> (\$1,200,000)
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<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>Up to</u></b> <b>(\$200,000)</b>	<b><u>Up to</u></b> <b>(\$1,200,000)</b>	<b><u>Up to</u></b> <b>(\$1,200,000)</b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposed legislation could impact any small business that qualifies for the Domestic Violence Shelter Tax Credit, as they could reduce their state tax liability, netting additional profit. (Section 135.550)

FISCAL DESCRIPTION

Currently, a tax credit is authorized for contributions to domestic violence shelters. This bill modifies the definition of "shelter for victims of domestic violence" to include nonprofit organizations established and operating exclusively for the purpose of supporting a shelter for victims of domestic violence operated by the state or one of its political subdivisions.

FISCAL DESCRIPTION (continued)

This bill also increases the maximum amount of tax credits that may be claimed in any one fiscal year from \$2 million per year to \$3 million per year for all fiscal years beginning on or after July 1, 2021. (Section 135.550)


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

Office of Administration - Budget & Planning Division  
Missouri Department of Revenue  
Missouri Department of Social Services  
University of Missouri's Economic & Policy Analysis Research Center



Julie Morff  
Director  
March 10, 2020



Ross Strobe  
Assistant Director  
March 10, 2020