

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5788S.01I
 Bill No.: SB 1233
 Subject: Taxation and Revenue - Income; Tax Credits
 Type: Original
 Date: April 18, 2022

Bill Summary: This proposal authorizes a tax credit for contributions made to refugee resource centers.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue Fund*	Up to (\$10,196,014)	Up to (\$10,200,495)	Up to (\$10,203,074)
Total Estimated Net Effect on General Revenue	Up to (\$10,196,014)	Up to (\$10,200,495)	Up to (\$10,203,074)

*Oversight notes the estimated impact includes the overall tax credit cap for contributions made to refugee resource centers is up to \$10M. Additionally, 1 FTE for DSS and potentially 2 FTE for DOR (if the minimum \$100 contributions (\$50 tax credit) were to be made by a majority of participants).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue – DSS	1 FTE	1 FTE	1 FTE
General Revenue – DOR	0 FTE to 2 FTE	0 FTE to 2 FTE	0 FTE to 2 FTE
Total Estimated Net Effect on FTE	1 FTE to 3 FTE	1 FTE to 3 FTE	1 FTE to 3 FTE

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DSS)** assume this proposal would make a new tax credit for the Department of Social Services to administer. This bill will create a new refugee tax credit, with a total state limit of \$10 million for any fiscal year. To administer another tax credit, the department will need one FTE at the level of program specialist.

The FTE will assist in the following tasks:

1. Write rules
2. Develop forms
3. Approve agencies to participate
4. Update the web site
5. Allocate credits
6. Help develop the means for entry in the CMS system
7. Receive and enter the tax credits in the CMS system
8. Mail certificates to citizens
9. Answer questions from agencies and taxpayers
10. Work with DOR to resolve any questions of clearance and issuance
11. Develop and run reports

Oversight notes the officials from the DSS assume the proposal will have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, **Oversight** will reflect DSS impact of 1 FTE (Program Specialist 1 at \$44,437 annually) in the fiscal note.

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this proposal creates a tax credit for contributions made to refugee resource centers beginning January 1, 2022. This credit is not refundable, sellable, transferable, but can be carried forward for one year. The amount of tax credits available for this program is \$10,000,000. Therefore, this proposal could lower general revenues by up to \$10,000,000 beginning in FY2023. This provision could impact TSR and the calculation under Article X, Section 18(e). Due to the carryforward provision in any given year, the amount redeemed may exceed the estimate shown after the first full fiscal year.

Officials from the **Department of Revenue (DOR)** note:

Starting January 1, 2022, this would allow a taxpayer a credit equal to 50% of the contribution the taxpayer made to a certified refugee resource center. The Department of Social Services will maintain a list of the certified refugee resource centers. The minimum contribution a taxpayer may make and be eligible for the tax credit is \$100 and the maximum credit any one taxpayer can receive is \$10,000.

This proposal would be effective August 28, 2022 and therefore the first returns claiming the credit would start January 1, 2023. This credit has a \$10 million annual cap. This is a non-refundable tax credit but it can be carried forward one year. It cannot be sold, or transferred. This could result in a loss to general revenue annually of \$10 million.

This would be a new income tax credit and it would be added to the MO-TC and information about the credit would be added to their website and changes would be needed in their individual income tax system. DOR notes the costs to update these items is \$3,596. DOR will need the following FTE should the number of credits redeemed justify the FTE.

1 FTE Revenue Processing Technician for every 6,000 credits redeemed

1 FTE Revenue Processing Technician for every 7,600 errors/correspondence generated

Oversight, for information purposes, [National Philanthropic Trust](#) report shows:

- In 2020, and from overall \$471.4 billion collected, the largest source of charitable giving came from individuals at \$324.10 billion, or 69% of total giving. In five of the last six years, charitable giving by individuals has grown.
- Other sources of charitable giving were giving by foundations (\$88.55 billion/19% of the total share of American giving), bequests (\$41.91 billion/9%), and corporations (\$16.88 billion/4%).
- In 2020, the majority of charitable dollars went to religion (28%), education (15%), human services (14%), grantmaking foundations (12%) and public-society benefit (10%).
- Giving in 2020 increased in nearly every sector, with double-digit growth in gifts for public-society benefit (15.7%), environment/animals (11.6%) and individuals (12.8%).
- Charitable giving accounted for 2.3% of gross domestic product in 2020.

Oversight notes the most recent statistics on charitable giving in Missouri, by [IRS SOI Tax Stats](#), in TY 2015 to TY 2019 shows:

Tax Year	Rank in U.S.	Number of Individuals with Itemized Charitable Deductions	Total Amount of Charitable Deductions Itemized	Average Itemized Deduction
	23	173,730	\$2,729,533,000	\$15,711
2018	26	183,970	\$2,994,180,000	\$16,275
2017	30	598,030	\$4,073,131,000	\$6,811
2016	32	595,180	\$3,850,121,000	\$6,469
2015	31	587,660	\$3,441,851,000	\$5,857
Average	28	427,714	\$3,417,763,200	\$10,225

Oversight notes the numbers above represent only a subset of charitable donations made each year by individuals in Missouri, not specifying the actual charitable cause.

Oversight notes that this proposal allows for up to \$10 million maximum in tax credits annually for contributions made to refugee resource centers.

Oversight notes the proposal denotes that after January 1, 2022, the taxpayer shall be eligible to claim a tax credit against the taxpayer's state tax liability in an amount equal to fifty percent of the amount such taxpayer contributed to a refugee resource center

Oversight notes the proposal, Section 135.610. 3. & .4 notes that no individual taxpayer shall be allowed to claim a tax credit in excess of \$10,000 and must make a minimum contribution of \$100 per tax year to qualify.

Oversight notes that the IRS data provide information showing the average maximum contribution from individuals were \$10,000 rounded.

Oversight notes the proposal would allow for 1,000 [(\$10M/\$10,000)] to 200,000 [(\$10M/\$100)/.5] individuals to qualify for the tax credit annually.

Oversight notes the proposal notes the 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 the proposal shall be assigned, transferred, or sold.

Oversight notes the proposal creates new tax credit and officials from the DOR assume the proposal will have a direct fiscal impact on their organization.

Oversight notes that DOR request for additional FTE is possible, at the higher end, given that there could be potentially up to 20,000 tax credit issued annually. Therefore, **Oversight** will estimate the range from \$0 (no FTE needed due to low participations) to 2 FTE costs (2 Revenue Processing Technician \$31,200 annually if all participants gave the minimum amount of \$100 contribution for \$50 tax credit) in the fiscal note.

Oversight assumes the proposal will have a direct fiscal impact on the general revenue.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect \$10M reduction to the GR revenues, beginning FY 2023, in the fiscal note.

Officials from the **Office of the Secretary of State (SOS)** assume 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 \$5,000. 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 its 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.

Oversight assumes SOS is provided with core funding to handle a certain amount of activity each year. Oversight assumes SOS could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, SOS could request funding through the appropriation process.

Officials from the **Department of Economic Development**, the **City of Claycomo**, the **City of Kansas City**, the **City of O’Fallon**, and the **City of Springfield** each assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
GENERAL REVENUE			
<u>Costs – DSS- Section 135.610</u>			
Personnel Service	(\$37,031)	(\$44,882)	(\$45,331)
Fringe Benefits	(\$24,744)	(\$29,841)	(\$29,992)
Expense & Equipment	(\$17,927)	(\$11,195)	(\$11,474)
<u>Total Costs -</u>	(\$79,702)	(\$85,918)	(\$86,797)
FTE Change – DSS (p.3)	1 FTE	1 FTE	1 FTE
<u>Costs – DOR – 135.610</u>	\$0 or	\$0 or	\$0 or
Personnel Service	(\$52,000)	(\$63,648)	(\$64,921)
Fringe Benefits	(\$42,092)	(\$50,929)	(\$51,356)
Expense & Equipment	(\$22,220)	(\$0)	(\$0)
<u>Total Costs -</u>	(\$116,312)	(\$114,577)	(\$116,277)
FTE Change – DOR (p.5)	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
Revenue Reduction – Section 135.610 Tac Credit (p.5)	<u>Up to</u> (\$10,000,000)	<u>Up to</u> (\$10,000,000)	<u>Up to</u> (\$10,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>Up to</u> (\$10,196,014)	<u>Up to</u> (\$10,200,495)	<u>Up to</u> (\$10,203,074)
Estimated Net FTE Change on General Revenue	1 FTE to 3 FTE	1 FTE to 3 FTE	1 FTE to 3 FTE
<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Some small businesses would be expected to obtain tax credit as a result of this proposal.

FISCAL DESCRIPTION

For all tax years beginning on or after January 1, 2022, this act authorizes a taxpayer to claim a tax credit in an amount equal to fifty percent of contributions made on or after January 1, 2022,

to refugee resource centers, as defined in the act. A taxpayer shall not receive more than \$10,000 in tax credits in any tax year. Tax credits authorized by the act shall not be refundable or transferable, but may be carried forward to the next tax year. The Director of the Department of Social Services shall determine, at least annually, which facilities in this state may be classified as refugee resource centers, and shall establish a procedure by which a taxpayer can determine if a facility has been classified as a refugee resource center. Refugee resource centers shall be permitted to decline a contribution from a taxpayer. The total amount of tax credits that may be authorized under the act in any fiscal year shall not exceed \$10 million.

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 Revenue
Office of Administration – Budget & Planning
Department of Social Services
Department of Economic Development
City of Claycomo
City of Kansas City
City of O’Fallon
City of Springfield



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April 18, 2022



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