

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3587S.01I
 Bill No.: SB 795
 Subject: Tax Credits
 Type: Original
 Date: January 12, 2024

Bill Summary: This proposal authorizes a tax credit for providing housing to victims of domestic violence.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue Fund*	\$0	Could exceed (\$199,873)	Could exceed (\$179,116)
Total Estimated Net Effect on General Revenue	\$0	Could exceed (\$199,873)	Could exceed (\$179,116)

*Oversight will reflect a costs under new subsection 135.550.9 & 10 allowing for tax credits with no maximum annual cap. Additionally, the fiscal note reflects DOR's 1 FTE. Oversight assumes the total fiscal impact could reach the \$250,000 annual threshold.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue Fund – DOR	0 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	0 FTE	1 FTE	1 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 2025	FY 2026	FY 2027
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

The Domestic Violence Tax Credit program began in 1997 and currently allows a taxpayer to claim a tax credit against the taxpayer's state tax liability, in an amount equal to seventy percent (70%) 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 must make a minimum donation of \$100. As of July 1, 2022, there is no cap on the program.

For informational purposes, DOR is providing the amount of credits issued and redeemed over the last several years.

Year	Issued	Total Redeemed
FY 2023	\$5,349,747.76	\$2,723,763.45
FY 2022	\$1,995,009.75	\$1,657,129.99
FY 2021	\$1,814,930.07	\$1,788,140.75
FY 2020	\$1,858,165.23	\$1,434,287.13
FY 2019	\$752,800.86	\$883,098.69
FY 2018	\$1,881,995.47	\$1,510,571.89
FY 2017	\$1,611,058.21	\$1,476,637.77
FY 2016	\$1,892,974.11	\$1,244,890.32
FY 2015	\$1,426,180.09	\$901,392.07
FY 2014	\$1,256,761.49	\$1,079,794.76
FY 2013	\$1,075,861.66	\$851,517.26
FY 2012	\$1,088,440.04	\$988,995.96
TOTALS	\$22,003,924.74	\$16,540,220.04

This proposal appears to make no changes to the original shelters for victims of domestic violence tax credit. However, this proposal appears to add two additional domestic violence tax credits under this section of statute.

The first new credit allows a taxpayer to claim a \$1,000 credit if they convert abandoned property into an operational shelter for victims of domestic violence. This new credit does not have an annual cap. The Department assumes it could exceed \$100,000 annually.

The second new credit allows a taxpayer a \$500 credit if the taxpayer has rented residential real estate to a victim of domestic violence. This new credit does not have an annual cap. The Department assumes it could exceed \$100,000 annually.

These two new tax credits begin on January 1, 2025, and therefore, the first returns with these credits will be claimed starting January 1, 2026 (FY 2026).

Fiscal Year	Loss to General Revenue
2025	\$0
2026	(Could exceed \$200,000)
2027+	(Could exceed \$200,000)

This proposal creates a new tax credit that would require a new line being added to the Form MO-TC (\$7,138), updates to our website and changes to our individual income tax computer system (\$1,785). These changes are estimated to cost \$8,923. DOR's existing tax credit staff is no longer able to take on any additional tax credits without additional resources. Due to the intensive knowledge of credits that is needed DOR is not able to use temporary staff to help with processing these returns. This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of \$35,880.

Oversight notes the DOR assumes the need for 1 FTE Associate Customer Service Representative at \$35,880 annually, effective FY 2026 (as taxpayers file their 2025 taxes). Additionally, one-time cost for necessary form and computer changes at \$8,923. Therefore, Oversight will reflect the DED FTE and one-time computer costs in the fiscal note.

Officials from the **Office of Administration – Budget & Planning (B&P)** note:

This proposal creates tax credits for developing or renting housing for victims of domestic violence beginning tax year 2025. This proposal would allow for a \$1,000 tax credit for a taxpayer who converts an abandoned property into an operational shelter, and a \$500 credit for a taxpayer who has rented residential real estate to a victim of domestic violence. This credit is not refundable, sellable, transferable, but can be carried forward for one year. B&P is unable to estimate the number of shelters or leasing agreements that would meet the criteria of these credits. Therefore, this proposal could lower general and total state revenues by an unknown amount beginning in FY 2026.

Oversight notes the DOR & B&P assume the proposal will have a cost to the general revenue due to the additional tax credit that the taxpayer is able obtain under the proposal. There are two separate provisions Section(s) 135. 550 9 & 10 allowing for \$1,000 and \$500 tax credit respectively.

Oversight notes that in order to receive a certificate, the qualified entity must annually submit an Agency Eligibility Verification application and supporting documentation to the Department of Social Services to determine qualification status for the next state fiscal year.

Oversight notes that on average there were approximately 2,000 certifications issued between FY 2020-2022.

Oversight notes that in order to receive the \$1,000 tax credit an entity must convert an abandoned property into an operational shelter for victims of domestic violence in the tax year for which the credit is sought. Additionally, to receive \$500 a taxpayer must allow for rent of residential real estate to a victim of domestic violence in the tax year for which the credit is sought.

Oversight notes, per the [Missouri State Highway Patrol Criminal Justice Information Services](#), there were 40,422 victims of domestic violence in Missouri in 2023.

Oversight notes that according to the <https://www.domesticshelters.org/help/mo> there are about 64 locations throughout the Missouri designated as housing for victims of domestic violence.

Oversight assume the utilization of conversion of an abandon property tax credit (\$1,000) will be lower than the rent of residential real estate. If only 20% of above given properties (12 out of 64 location according to research over multiple years) were converted, it would provide utilization in amount of \$12,000 (12 converted houses x \$1,000). Therefore, Oversight will show a \$12,000 utilization of the tax credit under Section 135.550.9, effective FY 2026. (taxpayer filing his or her returns for 2025).

Oversight notes DOR assuming a cost that could exceed \$100,000 under subsection 135.550.10, rent of residential real-estate to victims. Therefore, Oversight will reflect a cost for this subsection in the fiscal note, effective FY 2026 (taxpayer filing his or her returns for 2025).

Oversight notes it is unknown how many taxpayers utilize the new tax credits and assume the totals could possibly reach the \$250,000 threshold.

Officials from the **Department of Social Services (DSS)** state 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 for DSS in the fiscal note.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note 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.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
<u>Revenue Loss – Section 135.550 9.</u> Conversion of abandon structure	\$0	(\$12,000)	(\$12,000)
<u>Revenue Loss – Section 135.550 10.</u> Rental of real-estate	\$0	Could exceed (\$100,000)	Could exceed (\$100,000)
<u>Costs – Section 135.550 9&10</u>			
Personnel Service	\$0	(\$36,598)	(\$37,330)
Fringe Benefits	\$0	(\$28,937)	(\$29,204)
Expense & Equipment	\$0	(\$22,338)	(\$582)
<u>Total Costs – DOR 1 FTE</u>	<u>\$0</u>	<u>(\$87,873)</u>	<u>(\$67,116)</u>
FTE Change	0 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	Could exceed <u>(\$199,873)</u>	Could exceed <u>(\$179,116)</u>
Estimated Net FTE Change on General Revenue	0 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

A direct fiscal impact to small businesses would be expected as a result of this proposal.

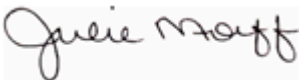
FISCAL DESCRIPTION

Current law allows a taxpayer to claim a tax credit for contributions made to shelters for victims of domestic violence or to rape crisis centers. For all tax years beginning on or after January 1, 2025, this act modifies such tax credit to also allow a taxpayer to claim a \$1,000 tax credit if the taxpayer has converted abandoned property into an operational shelter for victims of domestic violence, and a \$500 tax credit if the taxpayer has rented residential real estate to a victim of domestic violence.

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
Joint Committee on Administrative Rules
Office of the Secretary of State
Oversight Division



Julie Morff
Director
January 12, 2024



Ross Strobe
Assistant Director
January 12, 2024