

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3588S.01I
 Bill No.: SB 794
 Subject: Tax Credits
 Type: Original
 Date: January 17, 2024

Bill Summary: This proposal authorizes a tax credit for providing services to homeless persons.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue Fund*	\$0	Up to (\$1,227,261)	Up to (\$1,194,506)
Total Estimated Net Effect on General Revenue	\$0	Up to (\$1,227,261)	Up to (\$1,194,506)

*The potential fiscal impact reflects \$1 million in maximum cap of the tax credit, 1 FTE for the Department of Economic Development and 1 FTE for the Department of Revenue.

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
General Revenue Fund - DED	0 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	0 FTE	2 FTE	2 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

Section 135.390 Homeless Tax Credit

Officials from the **Department of Economic Development (DED)** assume the proposal, 135.390.2 RSMo, provides a tax credit of up to \$10,000 for an eligible taxpayer who is a qualified provider of employment services, a qualified provider of employment, or a qualified provider of housing services to homeless persons.

The program will automatically sunset on 12/31/2030 unless reauthorized by an act of the General Assembly.

Authorizing the tax credit program will likely reduce annual TSR by up to the annual cap of \$1,000,000 per fiscal year beginning on or after January 1, 2025. DED will need to hire 1.0 FTE Senior Economic Development Specialist (\$74,664 annually) to create the program and administer the program, including managing applications and determining the qualifications of those eligible to receive the tax credit.

Oversight notes according to the Missouri Housing Development Study, on average, there were around 5,800 homeless persons and approximately 1,210 (21%) of those individuals are unsheltered, according to the 2019 Missouri Statewide Homelessness Study (<https://mhdc.com/2021-homeless-study-dashboard/1-total-persons-experiencing-homelessness/>)

Oversight notes that this tax credit allows around 100 (\$1,000,000 / \$10,000) companies/providers, who are a qualified provider of employment services, employment, or housing services, a tax credit up to a maximum amount of \$10,000 annually. The total amount of annual tax credits is \$1 million per year. Therefore, Oversight will reflect a fiscal impact up to the maximum cap for the tax credit of \$1 million annually effective FY 2026.

Officials from the DED assume the proposal will have a direct fiscal impact and are in need of one FTE. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a DED's estimated impact in the fiscal note.

Officials from the **Department of Revenue (DOR)** assume starting January 1, 2025, an eligible taxpayer will be allowed to claim a \$10,000 tax credit for being a qualified provider of employment services or qualified provider of housing to the homeless. The Department of Economic Development is to provide guidelines for determining if a person is a qualified taxpayer under this proposal. The qualified taxpayer will submit an application to the Department of Economic Development and prove their qualifications. If approved, they will receive a certificate to file with their tax return to redeem the credit.

The total amount of credits that can be issued in one year is \$1 million annually. The credits are not refundable or transferrable but can be carried forward for three years. This will result in a loss to general revenue of the \$1 million cap annually starting January 1, 2026, the first year the credits are claimed on the tax return. This tax credit will automatically be sunset on December 31, 2030.

Fiscal Year	Loss to General Revenue
2025	\$0
2026	(\$1,000,000)
2027+	(\$1,000,000)

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.

Officials from the DOR 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 a DOR's one FTE in the fiscal note, effective FY 2026.

Officials from the **Oversight Division** state they are responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, Oversight can absorb the cost with the current budget authority.

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			
Costs – Section 135.390 Homeless Tax Credit	\$0	Up to (\$1,000,000)	Up to (\$1,000,000)
<u>Costs – Section 135.390</u>			
Personnel Service	\$0	(\$76,157)	(\$77,680)
Fringe Benefits	\$0	(\$44,538)	(\$45,128)
Expense & Equipment	\$0	(\$18,693)	(\$4,582)
<u>Total Costs - DED</u>	<u>\$0</u>	<u>(\$139,388)</u>	<u>(\$127,390)</u>
FTE Change	0 FTE	1 FTE	1 FTE
<u>Costs – Section 135.390</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</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>	<u>Up to (\$1,227,261)</u>	<u>Up to (\$1,194,506)</u>
Estimated Net FTE Change on General Revenue	0 FTE	2 FTE	2 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, who are allowed to participate in the tax credit would be expected as a result of this proposal.

FISCAL DESCRIPTION

For all tax years beginning on or after January 1, 2025, this act allows eligible taxpayers to receive a tax credit for providing certain services to homeless persons. An eligible taxpayer is defined as a qualified provider of employment services to homeless persons, a qualified provider of employment to homeless persons, or a qualified provider of housing to homeless persons. The amount of the tax credit shall not exceed \$10,000 per tax year, and the total amount of tax credits authorized under the act per fiscal year shall not exceed \$1 million.

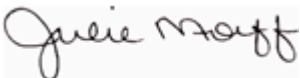
The Department of Economic Development shall publish guidelines for determining who is a qualified provider of employment services, employment, or housing to homeless persons, as described in the act.

This act shall sunset on December 31, 2030, unless reauthorized 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.

SOURCES OF INFORMATION

Department of Revenue
Department of Economic Development
Oversight Division
Joint Committee on Administrative Rules
Office of the Secretary of State



Julie Morff
Director
January 17, 2024



Ross Strobe
Assistant Director
January 17, 2024