

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0486S.01I
 Bill No.: SB 126
 Subject: Tax Credits
 Type: Original
 Date: January 15, 2025

Bill Summary: This proposal modifies provisions relating to benevolent tax credits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue Fund*	Could exceed (\$6,280,831)	Could exceed (\$6,280,831)	Could exceed (\$6,280,831)
Total Estimated Net Effect on General Revenue	Could exceed (\$6,280,831)	Could exceed (\$6,280,831)	Could exceed (\$6,280,831)

*Oversight reflects the reduction in GR due to changes in Section(s) 32.100-32.125 & 135.460, increasing the redemption percentage from current percentages up to 70%. Oversight notes the overall changes will not have an effect beyond currently established maximum cap(s) for the impacted tax credits.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on FTE	0	0	0

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 2026	FY 2027	FY 2028
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 32.115 - Affordable Housing and Neighborhood Assistance Program

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

This proposal would increase the value of the affordable housing and neighborhood assistance tax credits to 70% of each contribution. B&P notes that the three-year average redemption amount for affordable housing was \$5,849,540 and the three-year average redemption amount for neighborhood assistance was \$8,786,859 from FY22 - FY24. B&P further notes that had the tax credits been set at 70% of donations, redemptions would have been \$7,444,870 for affordable housing and \$12,301,602 for neighborhood assistance. Therefore, this provision could reduce GR by \$5,110,073 annually beginning in FY26.

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

Neighborhood Assistance Tax Credit Program

This proposal also changes the Neighborhood Assistance Tax Credit program. The Neighborhood Assistance Tax Credit program has a \$16 million cap with the credit based on 50% of the contribution made. For informational purposes they are providing the amount authorized, issued and redeemed for this credit.

Year	Authorized	Issued	Total Redeemed
FY 2024	\$12,804,707.00	\$10,200,112.00	\$9,185,734.75
FY 2023	\$15,028,834.00	\$12,330,085.00	\$9,107,306.80
FY 2022	\$12,673,134.00	\$11,113,005.75	\$8,067,535.14
FY 2021	\$11,924,548.00	\$9,048,913.00	\$8,623,742.15
FY 2020	\$13,890,324.00	\$8,703,761.00	\$9,471,230.74
FY 2019	\$15,035,823.00	\$10,377,614.00	\$8,947,215.78
FY 2018	\$14,981,906.00	\$12,367,630.00	\$10,922,806.90
FY 2017	\$14,041,962.00	\$14,490,650.00	\$14,831,654.17
FY 2016	\$13,553,852.00	\$13,761,480.00	\$10,318,970.97

FY 2015	\$15,974,536.00	\$11,435,785.00	\$8,230,285.75
FY 2014	\$11,513,379.00	\$9,640,126.00	\$10,848,983.24
FY 2013	\$14,996,900.00	\$10,144,225.00	\$7,392,112.96
FY 2012	\$11,577,412.00	\$8,493,103.00	\$9,757,094.83

This proposal increases the percentage of the contribution from 50% to 70% for the amount of the tax credit a person receives. An increase of \$3,514,744. It is unclear if this would encourage more taxpayers to contribute and claim the tax credit. The three-year average of the redemptions of the program has been \$8,786,859. However, since this program has an annual cap, it is not expected to result in any additional impact to the state.

Affordable Housing Tax Credit

The Affordable Housing Tax Credit program currently provides a tax credit for 55% of a contribution made. The credit currently has an \$11 million cap. For informational purposes DOR is providing the amount authorized, issued and redeemed for this credit.

Year	Authorized	Issued	Total Redeemed
FY 2024	\$2,769,394.00	\$5,263,913.00	\$5,211,902.60
FY 2023	\$8,932,400.00	\$4,174,401.00	\$8,716,793.01
FY 2022	\$4,835,176.00	\$10,482,025.00	\$3,619,925.08
FY 2021	978,796.00	\$3,592,427.00	\$4,119,705.33
FY 2020	\$10,971,408.00	\$4,510,701.00	\$4,025,790.93
FY 2019	\$4,253,693.00	\$3,308,659.00	\$5,001,344.36
FY 2018	\$4,676,726.00	\$6,145,103.00	\$4,752,091.91
FY 2017	\$10,347,442.00	\$7,386,034.00	\$10,172,259.92
FY 2016	\$10,988,370.00	\$13,171,092.00	\$8,484,672.81
FY 2015	\$10,901,753.00	\$8,717,177.00	\$3,358,807.75
FY 2014	\$8,197,923.00	\$4,844,279.00	\$5,620,749.73
FY 2013	\$6,495,974.00	\$4,967,887.00	\$7,406,987.96
FY 2012	\$4,871,580.00	\$5,990,591.00	\$5,629,465.92

This proposal increases the percent of the contribution from 55% to 70% for the amount of the tax credit a person receives. An increase of \$1,595,329. It is unclear if this would encourage more taxpayers to contribute and claim the tax credit. The three-year average of the redemptions of the program has been \$5,849,540. However, since this program has an annual cap, it is not expected to result in any additional impact to the state.

Officials from the **Department of Economic Development (DED)** note:

This program currently provides a tax credit for 55% of a contribution made with a \$11 million cap. This proposal increases the percentage from 55% to 70% for amount of the tax credit. This change could encourage more people to participate in this program. The three-year average of the redemptions of the program has been \$5,849,540. Increasing the percent to 70% would have resulted in \$7,444,870 in issued tax credits. Resulting in a total increase of \$1,595,330. The increased percent could result in more contributions, but MHDC does not have any information as to how many more contributions would be made. Since the increased amount is lower than the current cap of \$11 million, this is not expected to have any additional impact to the state.

	FY 2022 ACTUAL	FY 2023 ACTUAL	FY 2024 ACTUAL	3-Year Average
Certificates Issued (#)	298	203	173	225
Projects/Participants (#)	48	44	45	46
Amount Authorized	\$4,835,176	\$8,932,400	\$2,769,394	\$5,512,323
Amount Issued	\$10,482,025	\$4,174,401	\$5,263,913	\$6,640,113
Amount Redeemed	\$3,619,925	\$8,716,793	\$5,211,903	\$5,849,540

DED notes the actual figures produced from most recent AHAP Form 14 shows the 3 year average redemption was \$5,849,540.33. Therefore, 70% tax credit would have allowed for a total of \$7,444,869.52 in the same period.

Oversight notes Section 32.100 to 32.125 “*Neighborhood Assistance Act*” provides assistance to community-based organizations that enable them to implement community or neighborhood projects in the areas of community service, education, crime prevention, job training and physical revitalization. There is a cumulative maximum cap of \$32 million annually with individual program caps as follows:

- a) Section(s) 32.115 – Affordable Housing Assistance Program (AHAP) up to the same \$10 million cap. (If other tax credits, within the section, are not fully utilized this section can draw an additional \$1 million allowing the cap to reach \$11 million annually – as per Section 32.115 4.).
- b) Section 32.115 – Neighborhood Assistance Program (NAP with a maximum cap of \$16 million).

Oversight notes the AHAP program expenditures as follow:

	FY 2022 ACTUAL	FY 2023 ACTUAL	FY 2024 ACTUAL
Certificates Issued (#)	298	203	173
Projects/Participants (#)	48	44	45
Amount Authorized	\$4,835,176	\$8,932,400	\$2,769,394
Amount Issued	\$10,482,025	\$4,174,401	\$5,263,913
Amount Redeemed	\$3,619,925	\$8,716,793	\$5,211,903

DED Form 14

Oversight notes the Affordable Housing Assistance Tax Credit Program (AHAP) is an incentive for businesses and qualified individuals in Missouri to participate in the production of affordable housing for low-income families. The credit can be used by a business or qualified individual as a reduction in their state tax obligation. To receive the AHAP credit, a business or qualified individual must donate cash, professional services, or real or personal property to a non-profit organization whose primary purpose is to provide affordable housing for low-income families.

Oversight notes the 3-year average redemption was \$5,849,540 at 55% contribution tax credit.

Oversight notes the 70% contribution tax credit would allow for a total of \$7,444,870 in the same period.

Oversight notes that the difference between 55% and 70% contribution redemption would total to \$1,595,329 (\$7,444,870 - \$5,849,540).

Oversight notes this proposal does not change the \$11 million maximum cap for AHAP, instead increases the percentage of the contribution from 55% to 70% for the amount of the tax credit. This will allow for those who claim the tax credit receive greater amount of funds, but will not affect the overall maximum cap available under the proposal.

Therefore, for the purpose of this fiscal note, **Oversight** will reflect only the credit difference of \$1,595,329 to the general revenue in the fiscal note.

Oversight notes the NAP program expenditures as follow:

	FY 2022 ACTUAL	FY 2023 ACTUAL	FY 2024 ACTUAL
Certificates Issued (#)	1,371	1,387	1,245
Projects/Participants (#)	65	71	66
Amount Authorized	\$12,673,134	\$15,028,834	\$12,804,707
Amount Issued	\$11,113,006	\$12,330,085	\$10,200,112
Amount Redeemed	\$8,067,535	\$9,107,307	\$9,185,734

DED Form 14

Oversight notes the 3-year average redemption was \$8,786,859 at 50% contribution tax credit.

Oversight notes the 70% contribution tax credit would have allowed for a total of \$12,301,602 in the same period.

Oversight notes the difference between 50% and 70% contribution redemption would total to \$3,514,743 (\$12,301,602 -\$8,786,859).

Oversight notes this proposal does not change the \$16 million maximum cap for NAP, instead increases the percentage of the contribution from 50% to 70% for the tax credit. This will allow for those who claim the tax credit to receive a greater amount of funds but will not affect the overall maximum available cap, under the proposal.

Therefore, for the purpose of this fiscal note, **Oversight** will reflect only the credit difference of \$3,514,743 to the general revenue in the fiscal note.

Section 135.460 – Youth Opportunities Tax Credit

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

This proposal would increase the value of the youth opportunities tax credit to 70% of each contribution. B&P notes that the three-year average redemption amount was \$2,926,896 from FY22 – FY24. B&P further notes that had the tax credits been set at 70% of donations, redemptions would have been \$4,097,655. Therefore, B&P estimates that this provision could reduce GR by \$1,170,759 annually beginning in FY26.

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

This proposal also changes the Youth Opportunities Tax Credit program. The Youth Opportunities tax credit program has a \$6 million cap with the credit based on 50% of the contribution made. For informational purposes DOR is providing the amount authorized, issued and redeemed for this credit.

Year		Issued	Total Redeemed
FY 2024	\$9,756,101.00	\$4,706,331.00	\$3,468,054.65
FY 2023	\$2,247,858.00	\$4,139,385.00	\$2,987,947.79
FY 2022	\$5,706,067.00	\$3,039,904.00	\$2,324,687.48
FY 2021	\$5,288,870.00	\$1,983,794.00	\$4,084,410.34
FY 2020	\$1,212,623.00	\$4,086,770.50	\$5,217,305.77
FY 2019	\$5,169,666.00	\$5,822,539.00	\$4,040,657.57
FY 2018	\$6,826,426.00	\$5,726,775.00	\$4,818,711.26
FY 2017	\$5,642,936.00	\$6,349,945.00	\$5,451,135.04
FY 2016	\$6,375,728.00	\$5,411,972.00	\$4,706,636.11
FY 2015	\$7,041,012.00	\$5,325,506.00	\$4,247,824.65
FY 2014	\$5,941,601.50	\$5,080,128.00	\$5,239,666.42
FY 2013	\$5,609,784.00	\$5,571,555.00	\$3,906,262.62
FY 2012	\$5,843,692.62	\$4,152,310.83	\$4,979,894.20

This proposal increases the percent of the contribution from 50% to 70% for the amount of the tax credit a person receives. An increase of \$1,170,759. It is unclear if this would encourage more taxpayers to contribute and claim the tax credit. The three-year average of the redemptions of the program has been \$2,926,897. However, since this program has an annual cap, it is not expected to result in any additional impact to the state.

Oversight notes the YOP program expenditures as follow:

	FY 2021 ACTUAL	FY 2022 ACTUAL	FY 2023 ACTUAL
Certificates Issued (#)	974	1,504	1,559
Projects/Participants (#)	36	13	57
Amount Authorized	\$5,706,067	\$2,247,858	\$9,756,101
Amount Issued	\$3,039,904	\$4,139,385	\$4,706,331
Amount Redeemed	\$2,324,687	\$2,987,948	\$3,468,054

DED Form 14

Oversight notes the YOP is a contribution tax credit program, which broadens and strengthens opportunities for positive development and participation in community life for youth and discourages criminal and violent behavior. Individuals, businesses, and corporations having tax liability in Missouri are eligible to receive tax credits for qualified donations to approved YOP projects.

Oversight notes the 3-year average redemption was \$2,926,896 at 50% contribution percentage tax credit.

Oversight notes the 70% contribution tax credit would allow for a total of \$4,097,655 in the same period.

Oversight notes that the difference between 50% and 70% contribution redemption would total to \$1,170,759 (\$4,097,655 -\$2,926,896).

Oversight notes this proposal does not change the \$6 million maximum YOP cap, instead it increases the percentage of the contribution from 50% to 70% for the amount of the tax credit. This will allow for those who claim the tax credit receive greater amount of funds, but will not affect the overall maximum cap available under the proposal.

Therefore, for the purpose of this fiscal note, **Oversight** will reflect only the credit difference of \$1,170,759 to the general revenue in the fiscal note for the YOP tax credit.

Overall bill:

Officials from the **DOR** assume the Department will need to update their computer programs (1,832) and forms (\$2,200) for each credit. DOR estimates the total cost of the changes at \$12,096.

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

Officials from the **Department of Commerce and Insurance (DCI)** note a potential unknown decrease of premium tax revenues (up to the tax credit limit established in the bill) in FY2026, FY2027, and FY2028 as a result of the modification of provisions relating to benevolent tax credits. 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 and which insurers will qualify for the modified tax credit.

Oversight notes, for purposes of this fiscal note, the fiscal note does not reflect the possibility that some of the tax credits could be utilized 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.

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 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
<u>Revenue Reduction</u> – Section 32.100 – 32.125 – Neighborhood Assistance Program NPA (change in credit from 50% to 70%) p.7	Could exceed (\$3,514,743)	Could exceed (\$3,514,743)	Could exceed (\$3,514,743)
<u>Revenue Reduction</u> – Section 32.115 – Affordable Housing Assistance Program AHAP (change in credit from 55% to 70%) p.6	Could exceed (\$1,595,329)	Could exceed (\$1,595,329)	Could exceed (\$1,595,329)
<u>Revenue Reduction</u> – Section 135.460 – Youth Opportunity Program YOP (change in credit from 50% to 70%) p.9	<u>Could exceed</u> <u>(\$1,170,759)</u>	<u>Could exceed</u> <u>(\$1,170,759)</u>	<u>Could exceed</u> <u>(\$1,170,759)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>Could exceed</u> <u>(\$6,280,831)</u>	<u>Could exceed</u> <u>(\$6,280,831)</u>	<u>Could exceed</u> <u>(\$6,280,831)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Small businesses that qualify for the credit may be positively impacted as a result of this proposal.

FISCAL DESCRIPTION

This act modifies provisions relating to benevolent tax credits.

NEIGHBORHOOD ASSISTANCE TAX CREDITS

Current law authorizes multiple tax credits for contributions made to and investments made for the purposes of providing physical revitalization, economic development, job training or education for individuals, community services, crime prevention, and affordable housing assistance, with such tax credits being equal to varying percentages of the contributions or investments made. This act sets each tax credit equal to 70% of the amount of such contributions or investments. (Section 32.115)

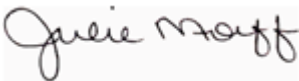
YOUTH OPPORTUNITIES AND VIOLENCE PREVENTION TAX CREDIT

Current law authorizes a tax credit in the amount of 50% of contributions made to certain youth programs. This act increases such tax credit to 70% of the amount of such contributions made. (Section 135.460)

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 Economic Development
Department of Commerce and Insurance
Office of the Secretary of State
Joint Committee on Administrative Rules



Julie Morff
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January 15, 2025



Jessica Harris
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January 15, 2025