

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3821S.02I
Bill No.: SB 845
Subject: Law Enforcement Officers and Agencies; Tax Credits; Taxation and Revenue - Income
Type: Original
Date: January 6, 2026

Bill Summary: This proposal authorizes a tax credit for contributions to certain youth police initiatives.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	Up to (\$577,183)	Up to (\$578,358)	Up to (\$579,598)
Total Estimated Net Effect on General Revenue	Up to (\$577,183)	Up to (\$578,358)	Up to (\$579,598)

*Oversight notes the above fiscal impact represents the maximum allotted cap of \$500,000 and up to one (1) FTE for the Department of Revenue.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 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 2027	FY 2028	FY 2029
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§135.463 – Tax Credit for Contributions to Certain Youth Police Initiatives

Officials from the **Office of Administration – Budget & Planning (B&P)** assume for all tax years beginning with 2027, taxpayers may claim a tax credit for up to 100% of the contribution made to an eligible entity. The eligible entity must be a non-profit that operates a youth police initiative in an urban area.

This credit is available for individuals, pass-through entities, and corporations. The credit is non-refundable but may be carried forward up to five years. Credits may also be transferred, sold, or otherwise assigned. A maximum of \$500,000 in credits may be authorized each tax year. This credit shall sunset August 28, 2032.

B&P notes that while this proposal applies to tax year 2026 contributions, it would not become effective until August 28, 2026. It is unclear whether donations made before August 28, 2026, would qualify for the tax credit.

B&P notes that while this credit will be available for donations made in 2026, taxpayers will not claim the credit until they file their annual tax return in FY27. Therefore, this proposal could reduce TSR and GR by up to \$500,000 per year beginning FY27.

Officials from the **Department of Revenue (DOR)** assume starting January 1, 2026, this proposal would allow a taxpayer making contributions to an eligible not-for-profit youth police initiative a tax credit equal to 100% of the contribution made. This program is established with a cap of no more than \$500,000 annually.

The tax credits are not refundable but can be carried forward for up to five years. Additionally, the credits can be transferred, sold or assigned. This credit will sunset on December 31, 2032.

DOR notes this will be a loss to the general revenue and total state revenue of up to \$500,000 annually. This loss will start in FY 2027 the first years the returns can be filed claiming the credit.

Fiscal Year	Loss in Revenue
FY 27	(\$500,000)
FY 28	(\$500,000)
FY 29+	(\$500,000)

This proposal states that the credit is to be administered by the Department of Public Safety (DPS). Additionally, that taxpayers are to submit their proof of contribution to DPS to redeem the credit. This proposal also states that the tax credit is to be applied against their state tax

liability. DOR notes that usually credits are redeemed at DOR if they are to be applied against state tax liability.

DOOR notes that should the taxpayers be instructed to redeem their tax credits with their department and this proposal creates a new tax credit that would require a new line being added to the Form MO-TC and updates to their website (\$2,200). This would also require changes to the Department's individual income tax computer system (\$1,887). These changes are estimated to cost \$4,087. 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 the 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 \$42,953 (including the year of service pay).

Oversight notes DOR assumed the need for (1) Associate Customer Service Representatives (\$42,953) to do the verification of the tax credit. Oversight does not have any information to the contrary. Therefore, Oversight will reflect the DOR estimated cost for FTE.

Additionally, the DOR requests a one-time cost of \$4,087 for website income-tax changes and updates to comply with the proposed language; however, Oversight notes that DOR receives appropriation for routine website updates and will not show those costs in the fiscal note.

Officials from the **Department of Public Safety – Highway Patrol** 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 for this agency.

The **Oversight Division** is 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 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Cost</u> – (§135.463) Contributions to certain youth police initiative tax credit p.3-4	Up to (\$500,000)	Up to (\$500,000)	Up to (\$500,000)
<u>Cost</u> – DOR (§135.463) p.4			
Personnel Service	(\$35,794)	(\$43,812)	(\$44,688)
Fringe Benefits	(\$28,010)	(\$33,957)	(\$34,310)
Expense & Equipment	(\$13,379)	(\$589)	(\$600)
<u>Total Costs</u> – DOR	(\$77,183)	(\$78,358)	(\$79,598)
FTE Change - DOR	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	Up to (\$577,183)	Up to (\$578,358)	Up to (\$579,598)
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
	<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, 2026, this act authorizes a taxpayer to claim a tax credit in an amount equal to 100% of contributions made to eligible entities. Eligible entities are defined as non-for-profit organizations that operate a youth police initiative in an urban area in this state. Youth police initiatives are defined as programs conducted by eligible entities for the purpose of engaging at-risk youth and local police officers in activities and conversation to build trust and break down stereotypes between youth and police.

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Tax credits authorized by the act shall not be refundable, but may be carried forward for five tax years and may be transferred, sold, or assigned. The total amount of tax credits that may be authorized in a tax year shall not exceed \$500,000.

The Department of Public Safety shall maintain a list of all eligible entities, and shall update such list at least annually. A taxpayer shall submit evidence of contributions to the Department.

This act shall sunset on August 28, 2032, 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

Office of Administration - Budget and Planning

Department of Revenue

Office of the Secretary of State

Joint Committee on Administrative Rules

Department of Public Safety – Highway Patrol

Oversight Division



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January 6, 2026



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January 6, 2026