

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2522-01
BILL NO.: SB 623
SUBJECT: Education; Elementary and Secondary; Taxation and Revenue-General-Income; Charities; and Business and Commerce
TYPE: Original
DATE: January 17, 2000

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON STATE FUNDS | | | |
|---|------------------|------------------|------------------|
| FUND AFFECTED | FY 2001 | FY 2002 | FY 2003 |
| General Revenue | (Unknown) | (Unknown) | (Unknown) |
| | | | |
| Total Estimated Net Effect on <u>All</u> State Funds | (UNKNOWN) | (UNKNOWN) | (UNKNOWN) |

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2001 | FY 2002 | FY 2003 |
| None | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|------------|------------|------------|
| FUND AFFECTED | FY 2001 | FY 2002 | FY 2003 |
| Local Government | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Department of Revenue (DOR) officials state this legislation allows a state income tax credit equal to 50% of donations of high technology equipment made to a school district. Once the Department of Elementary and Secondary Education determines a school has a high percentage of high risk students, the tax credit increases to 75% of the amount of the donation. Another tax credit is authorized for donations made to a school district library. This tax credit is equal to 50% of the donations.

These tax credits are not to exceed \$10,000 each. Each tax credit is refundable and can be carried over to the next five succeeding years.

ADMINISTRATIVE IMPACT:

The number of taxpayers eligible for this tax credit is unknown at this time. If the credit is not certified or verified by the Division of Taxation, one temporary tax season employee (\$8.00 an hour) will be needed for every 180,000 returns filed with this credit. The Division of Taxation would also need one Tax Processing Tech I for every 30,000 income tax errors and one Tax Processing Tech I for every 12,000 corporate tax errors generated by this legislation. If the Division of Taxation verifies all the tax credits and documentation, it would need one Tax Processing Tech I for every 1,000 credit claims filed.

This legislation would require modifications to the individual income tax system. The Division of Taxation estimates these modifications, including programming changes, would require 1,384 hours, a cost of \$36,192. Modifications to tax returns and schedules would be completed with existing resources. State Data Center charges would increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 would be requested for implementation costs and \$587 requested for on-going costs.

Officials of the **Office of Administration (COA)** state the revenue impact of this proposal is a negative unknown. It is unknown how many of the business firms would donate high technology equipment to schools or how much they would donate.

Officials of the **Department of Elementary and Secondary Education (DES)** state this proposal would require their agency to draft rules defining high technology equipment. This impact is estimated to be less than \$25,000. The impact would be one-time in nature.

FISCAL IMPACT - State Government

FY 2001
(10 Mo.)

FY 2002

FY 2003

GENERAL REVENUE FUND

| <u>FISCAL IMPACT - State Government</u> | FY 2001 (10 Mo.) | FY 2002 | FY 2003 |
|--|-------------------------|-------------------------|-------------------------|
| <u>Loss to General Revenue Fund</u> | | | |
| Tax credit for donation of high technology equipment | (Unknown) | (Unknown) | (Unknown) |
| <u>Cost to General Revenue Fund</u> | | | |
| DES-drafting rules | (Less than \$25,000) | \$0 | \$0 |
| <u>Cost to General Revenue Fund</u> | | | |
| <u>Department of Revenue (DOR)</u> | | | |
| Personal Service | (Unknown) | (Unknown) | (Unknown) |
| Fringe Benefits | (Unknown) | (Unknown) | (Unknown) |
| Expense and Equipment | (Unknown) | (Unknown) | (Unknown) |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | <u>(UNKNOWN)</u> | <u>(UNKNOWN)</u> | <u>(UNKNOWN)</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2001 (10 Mo.) | FY 2002 | FY 2003 |
|---|---------------------|---------|---------|
| | \$0 | \$0 | \$0 |

FISCAL IMPACT - Small Business

Small businesses would be expected to be fiscally impacted to the extent they would incur cost for making the donation and receive benefit from the tax credit for making the donation.

DESCRIPTION

This act authorizes a tax credit to certain business firms who donate high technology equipment to school districts or who donate certain property to school district libraries. The tax credit will be 50% of the donation not to exceed \$10,000. Donations to certain high-risk student school districts will receive a credit of 75% of the donation not to exceed \$10,000. Any credit which exceeds the taxpayer's liability will be refunded to the taxpayer or carried over to future tax years.

DESCRIPTION

(Continued)

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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
Department of Elementary and Secondary Education
Department of Revenue



Jeanne Jarrett, CPA
Director
January 17, 2000