

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0379-01
Bill No.: SB 45
Subject: Children and Minors; Family Services Division; Revenue Dept.; Social Services
 Dept.; Taxation and Revenue-Income
Type: Original
Date: January 15, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$68,971)	(\$420,292)	(\$437,104)
Total Estimated Net Effect on <u>All</u> State Funds	(\$68,971)	(\$420,292)	(\$437,104)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of Administration (COA) - Budget and Planning (BAP)** state this bill will allow foster parents that care for a child for at least 10 months out of the calendar year to claim the dependent deduction. According to the Department of Social Services, in 2000 there were 18,186 children in foster care in Missouri and 5,397 of these stayed with the same family for a least 10 months. The dependency deduction is \$1,200 and a marginal tax rate of 6% is assumed. Since this proposal does not have an effective date the Department of Revenue indicate that the deduction would not go into effect until tax year 2002. A 4% annual growth rate is assumed.

Officials of the **Department of Revenue (DOR)** state this legislation authorizes a foster parent to claim a dependency deduction on their state income tax return for foster children in their custody at least ten months.

The number of taxpayers eligible to take this deduction is unknown at this time. The Division of Taxation anticipates this deduction will increase the processing time for tax returns by at least 10 seconds. One temporary tax season employee (a cost of \$6,067) for every 150,000 returns filed claiming this deduction (key entry) and one Tax Processing Tech I for every 4,000 pieces of correspondence received regarding the credit will be needed. The Division of Taxation will also need one Tax Processing Tech I for every 20,000 additional errors generated by this legislation.

This legislation will require modifications, including edits to the individual income tax systems. The Division of Taxation estimates these modifications, including programming changes, will require 1,730 hours of contract labor, at a cost of \$57,713. State Data Center implementation costs will be \$11,258. Modifications to the income tax returns and schedules will be completed with existing resources.

Officials of the **Department of Social Services (DOS)** assume this proposal would not fiscally impact their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Loss - General Revenue Fund</u>			
Dependency exemption for qualified foster child	\$0	(\$420,292)	(\$437,104)

<u>FISCAL IMPACT - State Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
<u>Cost - Department of Revenue</u>			
Reprogramming costs	<u>(\$68,971)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$68,971)</u>	<u>(\$420,292)</u>	<u>(\$437,104)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This act allows foster parents to receive a dependency exemption on their state income tax returns. Section 143.161 currently describes who is entitled to a dependency exemption. A new subsection is added to waive the fifty percent support threshold for foster parents if any foster child has lived within the home for at least ten months of the year.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

This legislation will decrease Total State Revenues.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning
Department of Revenue
Department of Social Services



Jeanne Jarrett, CPA
Director
January 15, 2001