

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0708-01  
Bill No.: SB 185  
Subject: Tax Credits  
Type: Original  
Date: March 22, 2011

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Bill Summary: This proposal imposes a sunset upon all tax credit programs not currently subject to a sunset provision.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	\$0	\$0	\$493,808,566
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$493,808,566</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Budget and Planning (BAP)** assume the proposed legislation should not result in additional costs or savings to BAP. This proposal places a sunset of January 1, 2013, on all tax credit programs that do not currently have a sunset. This proposal may reduce tax credit redemptions a small amount in FY 2013, and more so in FY 2014, depending on which programs are ultimately renewed. This proposal may increase general and total state revenues. This proposal may reduce economic activity associated with the sunset programs, but BAP does not have an estimate of lost revenues.

BAP notes the various administrative agencies did not list sunset dates for the following programs in their budget submissions for FY 2012:

<u>Program</u>	<u>FY 10 Redemptions</u>
Low Income Housing	142,141,458
Property Tax	118,594,589
Historic Preservation	108,064,200
Brownfield Remediation Tax	17,590,273
Infrastructure Development	13,970,215
Affordable Housing Assistance	11,647,956
Neighborhood Assistance	10,065,992
BUILD	8,306,413
Missouri Health Insurance Pool	7,896,391
Neighborhood Preservation	6,739,123
Examination Fees and other fees	5,227,134
Youth Opportunities	4,405,158
New Enhanced Enterprise Zone	2,916,392
Bank Franchise Tax Credit (Refundable)	2,013,584
Adoption Tax (Special Needs)	1,894,187
Bank Tax Credit for S Corporation Shareholders	1,823,612
Brownfield Jobs and Investment	1,593,271
Development Tax	1,589,618
Rebuilding Communities	1,553,894
Self-Employed Health Insurance	1,517,004
Domestic Violence Tax	789,750
Maternity Home	761,650
Missouri Property & Casualty Guarantee Association	592,308
Children in Crisis	420,857

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ASSUMPTION (continued)

Small Business Incubator	219,014
Wine and Grape Production	112,057
Shared Care Tax	106,086
New Enterprise Creation	77,098
Disabled Access	12,526
Family Development Account	3,000

Officials at the **Department of Revenue (DOR)** assume that to the extent tax credits are not re-authorized and allowed to sunset per this legislation, an unknown, positive impact will result for Total State Revenue. The following represents tax credit redemptions of tax credits administered by DOR in FY10:

Bank Franchise Tax Credit	\$2,013,584
Bank Tax Credit for S Corporation Shareholders	\$1,823,612 (\$2,470,250 outstanding credits)
Residential Dwelling Accessibility Tax Credit	\$23,040
Disabled Access	\$12,526 (\$67,086 outstanding credits)
Food Pantry	\$793,734 (\$229,531 outstanding credits)
Peace Office Surviving Spouse	\$22,636
Self-employed health insurance	\$1,517,004
Senior Citizen Property	\$118,594,589
Special Needs Adoption	\$2,315,044 (\$4,892,937 outstanding credits)

If each of the credits noted above were eliminated, DOR assumes an amount similar to the FY10 redemption would be saved each fiscal year after the effective date. However, taxpayers that owned credits noted above as outstanding credits, could redeem those credits after January 1, 2013.

Officials at the **Department of Economic Development's Missouri Housing Development Commission (MHDC)** assume this bill could potentially result in the elimination of the two tax credit programs administered by MHDC (Mo. LIHTC and AHAP). However, the fiscal impact to the state is unknown at this time, because it would be dependent on the future actions of the General Assembly. Even if the tax credit programs were not re-authorized, there would still be on-going costs associated with the programs due to carry-forward provisions and because the Missouri Low Income Housing Tax Credit (Mo. LIHTC) is a 10 year credit. If no new credits were authorized after 1/1/2013, the state would not see a fiscal impact until at least FY15. Also, while there is no fiscal impact to the state of applying a sunset clause, it would result in a reduction in the efficiency of the Mo. LIHTC, because uncertainty about the future of the program would reduce the price investors would be willing to pay for the credit.

ASSUMPTION (continued)

Officials at the **Department of Economic Development's Business and Community Services Division** assume and unknown fiscal impact.

Officials at the **Department of Health and Senior Services** assume this bill would sunset the Shared Care Tax Credit Program established in Section 660.055, RSMo, effective January 1, 2013. In FY 2010, there were 246 claimants who redeemed \$106,068 from this tax credit. Assuming a similar amount of claims would continue in the future, DHSS assumes approximately \$106,068 would not be issued and redeemed in FY 2014 if the tax credit is not re-authorized.

Officials at the **Department of Elementary and Secondary Education** assume that imposing a sunset on tax credits could have a positive impact on the state's tax revenue and on schools.

Officials at the **Department of Agriculture** and the **Department of Social Services** assume that there is no fiscal impact from this proposal.

**Oversight** assumes this proposal would sunset the tax credits listed in this proposal on August 28, 2013. Oversight assumes any income to the state from tax credits sunset and the taxes being collected will start in September of 2013. However, since it is possible for the agency to issue all of the tax credits before this proposal sunsets, Oversight will only show the savings in FY 2014. Oversight assumes the future claiming of the tax credits will remain constant over the upcoming fiscal years. Oversight for the fiscal note is showing the amount of increased revenue to the State as the average amount issued over the last five years.

FISCAL IMPACT - State Government

FY 2012  
 (10 Mo.)

FY 2013

FY 2014

**GENERAL REVENUE**

Revenue - sun setting of the tax credits  
 and the taxes being collected.

Low-Income Housing	\$0	\$0	\$129,432,296
Property Tax	\$0	\$0	\$105,308,577
Historic Preservation	\$0	\$0	\$133,069,055
Brownfield Remediation	\$0	\$0	\$20,739,465
Infrastructure Development	\$0	\$0	\$24,625,997
Affordable Housing Assistance	\$0	\$0	\$7,925,546
Neighborhood Assistance	\$0	\$0	\$12,277,756
BUILD	\$0	\$0	\$7,230,977
Missouri Health Insurance Pool	\$0	\$0	\$8,994,728
Neighborhood Preservation	\$0	\$0	\$5,908,468
Exam Fee	\$0	\$0	\$10,987,629
Youth Opportunities	\$0	\$0	\$4,894,979
Enhanced Enterprise Zone	\$0	\$0	\$2,161,477
Bank Franchise	\$0	\$0	\$2,209,248
Adoption/Children in Crisis	\$0	\$0	\$2,780,552
Bank S Corp	\$0	\$0	\$1,507,338
Brownfield Jobs	\$0	\$0	\$1,844,203
Development Tax	\$0	\$0	\$1,574,478
Rebuilding Communities	\$0	\$0	\$1,703,581
Self-Employed Health	\$0	\$0	\$1,428,578
Domestic Violence	\$0	\$0	\$908,288
Maternity Home	\$0	\$0	\$1,073,704
MO Property & Casualty	\$0	\$0	\$4,591,780
Small Business Incubator	\$0	\$0	\$288,584
Wine & Grape Production	\$0	\$0	\$157,579
Shared Care	\$0	\$0	\$150,900
New Enterprise Creation	\$0	\$0	\$0
Disabled Access -Small Business	\$0	\$0	\$21,403
Family Development Account	<u>\$0</u>	<u>\$0</u>	<u>\$11,400</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$493,808,566</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This act sunsets all tax credit programs, which are not currently subject to the Missouri Sunset Act, effective January 1, 2013.

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

Budget and Planning  
Department of Agriculture  
Department of Economic Development  
Department of Elementary and Secondary Education  
Department of Health and Senior Services  
Department of Revenue  
Department of Social Services



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