

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4386-01
Bill No.: SB 481
Subject: Disabilities; Social Services Department; Taxation and Revenue - Income; Tax Credits
Type: Original
Date: February 20, 2012

Bill Summary: This proposal creates a tax credit for contributions to developmental disability care providers and modifies provisions of the residential treatment agency tax credit program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies 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.

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

- 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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 135.1150 Residential Treatment Tax Credit

Officials at the **Budget and Planning** assume that because agencies are required to remit payments for the credits, this proposal has no direct impact on General and Total State Revenues.

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

Officials at the **Department of Revenue (DOR)** assume this proposal allows an agency to apply for tax credits in an aggregate amount that does not exceed the payments made by the department to the agency in the preceding twelve months. DOR assumes that there is no fiscal impact from this proposal.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected would be outside the fiscal note period. Taxes would start being collected in FY 2016.

Section 135.1180 Developmental Disability Care Provider Tax Credit

Officials at the **Budget and Planning** this proposal creates a similar tax credit program for contributions made to Developmental Disability Care Providers. These agencies are required to submit payment to the state in amount equal to 50% of the donation, the equivalent amount of the tax credit. Therefore, this proposal will not impact General and Total State Revenues.

Officials at the **Department of Social Services** assume this proposal will create another tax credit for the department to administer. This will be able to be accomplished with existing staff.

Officials at the **Department of Revenue** assume this proposal creates the "Developmental Disability Care Provider Tax Credit Program." This tax credit is for all tax years beginning on or after January 1, 2012, taxpayers will be allowed a credit against the taxes due under Chapters 143, 147, or 148 excluding withholding tax in an amount equal to 50% of the amount of an eligible donation, subject to the restrictions in this section. The amount of the tax credit claimed shall not exceed the amount of the taxpayer's state income tax liability. The credit is not refundable and may be carried forward four years. Tax credits issued under this section may be assigned, transferred, sold, or otherwise conveyed, and the new owner of the tax credit shall have the same rights in the credit as the taxpayer.

ASSUMPTION (continued)

A provider may submit to DOS an application for the tax credit on behalf of taxpayers. DOS may create rules to implement the provisions of this section. The provisions of this program will sunset four years after August 31, 2012 unless re-authorized by the General Assembly.

DOR assumes DOR and ITSD-DOR will need to make processing changes to multiple processing systems. The Department will need to make forms changes. In addition Personal Tax and Corporate tax will each need a Revenue Processing Technician (starting salary \$25,380) to handle the tax credit redemptions.

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

Oversight assumes that due to the limited number of individuals currently taking advantage of similar programs, that DOR could absorb the duties of this bill with existing staff.

Oversight assumes that section 135.1180.4(3) requires payment from the provider equal to the amount of the value of the tax credit. **Oversight** assumes that receipt of payment and the application of the tax credits could affect various state funds, so for the purpose of this note **Oversight** is showing all the payments and costs to general revenue. However, the overall result of this proposal is no impact to total state revenue.

Bill as a Whole

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. The department has no means to arrive at a reasonable estimate of loss in premium tax revenue as a result of 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.

ASSUMPTION (continued)

DIFP will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Officials at the **Joint Committee on Administrative Rules** assume that there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state 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 \$2,500. 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 the 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE			
<u>Revenue</u> - Dept of Social Services payment for the tax credit filed with the application	Unknown	Unknown	Unknown
<u>Cost</u> - Dept of Social Services developmental disability tax credit (section 135.1180)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies 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.

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<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

Under current law, residential treatment agencies are prohibited from applying for residential treatment agency tax credits in an amount greater than forty percent of the payments received by the agency from the Department of Social Services. This act would allow residential treatment agencies to apply for such tax credits in an amount which does not exceed the amount of payments received by the agency from the Department of Social Services. The act also extends the sunset on the residential treatment agency tax credit from August 28, 2012, to August 28, 2015.

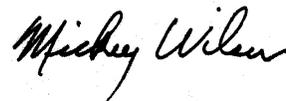
FISCAL DESCRIPTION (continued)

The act creates an income tax credit equal to fifty percent of the amount of an eligible donation made, on or after January 1, 2012, to a qualifying developmental disability care provider. The tax credit may not be applied against withholding taxes. The tax credit is non-refundable, but may be carried forward four years. The tax credit is transferable. A provider may apply to the Department of Social Services for the tax credits. The provisions of this act shall automatically sunset six years after August 28, 2012 unless re-authorized.

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 Insurance, Financial Institutions and Professional Registration
Department of Revenue
Department of Social Services
Joint Committee on Administrative Rules
Office of the Secretary of State



Mickey Wilson, CPA
Director
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