

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4546-02  
Bill No.: Truly Agreed To and Finally Passed SCS for HB 1132  
Subject: Tax Credits; Children and Minors; Charities  
Type: Original  
Date: May 22, 2014

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Bill Summary: This proposal increases the amount of tax credits for contributions to pregnancy resource centers, maternity homes and food pantries.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0 to (\$1,500,000)	\$0 to (\$1,500,000)	\$0 to (\$1,500,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0 to (\$1,500,000)</b>	<b>\$0 to (\$1,500,000)</b>	<b>\$0 to (\$1,500,000)</b>

**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.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<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 2015</b>	<b>FY 2016</b>	<b>FY 2017</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 2015</b>	<b>FY 2016</b>	<b>FY 2017</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 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §135.600 Maternity Home

Officials at the **Department of Social Services (DOS)** assume this proposal would not fiscally impact DOS. DOS should be able to handle the potential increase in donations with current staff.

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume there is no fiscal impact to BAP from this proposal. This proposal could reduce General and Total State Revenues by \$500,000 annually.

**Oversight** notes according to the Tax Credit Analysis submitted by the Department of Social Services regarding this program, the Maternity Home tax credit program had the following activity;

	FY 2011	FY 2012	FY 2013
Certificates Issued (#)	1,877	2,270	2,637
Amount Authorized	\$1,269,595	\$1,471,340	\$1,999,958
Amount Issued	\$1,269,595	\$1,471,340	\$1,999,958
Amount Redeemed	\$726,355	\$1,354,431	\$1,138,969

**Oversight** assumes this proposal raises the cap on the maternity home tax credit from \$2 million to \$2.5 million annually. Oversight will show the fiscal impact as a loss to state revenue of \$0 (no additional credits claimed) to \$500,000 (additional credits claimed to new cap) annually.

#### §135.630 Pregnancy Resource Center

Officials at the **DOS** assume this proposal would not fiscally impact DOS. DOS should be able to handle the potential increase in donations with current staff

Officials at the **BAP** assume there is no fiscal impact to BAP from this proposal. This proposal increases the annual cap on the pregnancy resource center tax credit from \$2 million to \$2.5 million. BAP notes that redemptions over the last three fiscal years have averaged \$1.4 million.

ASSUMPTION (continued)

According to the Tax Credit Analysis submitted by the Department of Social Services regarding this program, the Pregnancy Resource Center tax credit program had the following activity;

	FY 2011	FY 2012	FY 2013
Certificates Issued (#)	3,729	3,827	2,316
Amount Authorized	\$1,795,230	\$1,844,684	\$1,621,951
Amount Issued	\$1,795,230	\$1,844,684	\$1,621,951
Amount Redeemed	\$1,103,384	\$1,892,183	\$1,194,477

**Oversight** assumes this proposal raises the cap on the pregnancy resource center tax credit from \$2 million to \$2.5 million annually. Oversight will show the fiscal impact as a loss to state revenue of \$0 (no additional credits claimed) to \$500,000 (additional credits claimed to new cap) annually.

§135.647 Food Pantry Tax Credit

Officials at the **BAP** assume there is no fiscal impact to BAP from this proposal. This proposal could reduce General and Total State Revenues by \$500,000 annually.

**Oversight** assumes the Food Pantry tax credit began in 2008, and sunset in 2011. The program at that time had a \$2 million annual cap. In Fiscal Year 2013, the Food Pantry tax credit was reauthorized and given a cap of \$1.25 million annually. Due to the time period between which this credit did not exist and the reauthorization of the tax credit, Oversight does not have any recent redemption data to use to determine if this tax credit is being redeemed near its annual cap.

**Oversight** assumes this proposal raises the current cap on the Food Panty tax credit from \$1.25 million to \$1.75 million starting August 28, 2014 (FY 2015). Therefore, Oversight will show a loss to state revenue of \$0 (no additional redemptions) to \$500,000 per year (additional redemptions up to the new cap).

Bill as a Whole

Officials at the **Department of Revenue** assume no fiscal impact from this proposal; however, it would impact Total State Revenue.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state an unknown reduction of premium tax revenues may occur as a result of increasing the Maternity Homes Contribution and the Pregnancy Resource Center tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance

ASSUMPTION (continued)

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.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE</b>			
<u>Revenue Reduction</u> - increasing the maternity home tax credit cap §135.600	\$0 to (\$500,000)	\$0 to (\$500,000)	\$0 to (\$500,000)
<u>Revenue Reduction</u> - increasing the pregnancy resource center tax credit cap §135.630	\$0 to (\$500,000)	\$0 to (\$500,000)	\$0 to (\$500,000)
<u>Revenue Reduction</u> - increasing the food pantry tax credit cap §135.647	<u>\$0 to (\$500,000)</u>	<u>\$0 to (\$500,000)</u>	<u>\$0 to (\$500,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0 to (\$1,500,000)</u></b>	<b><u>\$0 to (\$1,500,000)</u></b>	<b><u>\$0 to (\$1,500,000)</u></b>

**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 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that claim these credits could be impacted.

### FISCAL DESCRIPTION

This bill specifies that the cumulative amount of tax credits that may be claimed by all the taxpayers contributing to maternity homes in any one fiscal year cannot exceed \$2 million for all fiscal years ending on or before June 30, 2014, and \$2.5 million for all fiscal years beginning on or after July 1, 2014.

This bill specifies that the cumulative amount of tax credits that may be claimed by all the taxpayers contributing to pregnancy resource centers in any one fiscal year cannot exceed \$2 million for all fiscal years ending on or before June 30, 2014, and \$2.5 million for all fiscal years beginning on or after July 1, 2014.

Currently, taxpayers that make donations to food pantries may be eligible for an income tax credit. The amount of food pantry tax credits that may be issued in a fiscal year is limited to \$1.25 million. This act raises the cap to \$1.75 million, beginning with the 2015 fiscal year.

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

Department of Insurance, Financial Institutions and Professional Registration  
Department of Revenue  
Department of Social Services  
Office of Administration  
Division of Budget and Planning



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Director  
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