COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5942-01
Bill No.: HB 2133
Subject: Tax Credits; Taxation and Revenue - General
Type: Original
Date: April 7, 2014

Bill Summary: This proposal eliminates tax credits, converts certain tax credits into deductions, and reduces the top tax rate on Missouri taxable income.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	Less than $4,117,659	Less than $295,119,275	Less than $401,057,397
Total Estimated Net Effect on General Revenue Fund*	**Less than $4,117,659**	**$295,119,275**	**Less than $401,057,397**

Note: The fiscal note does not reflect the possibility that some of the tax credits could have been utilized by insurance companies against insurance premium taxes. If this occurred, the gain in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

*** The second income tax rate reduction occurs in 2017, which would reduce revenue by an additional $306,739,000 in FY 2018.**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
MO Agriculture & Small Business Development Agency	$0	($81,125)	($162,250)
Total Estimated Net Effect on Other State Funds	**$0**	**($81,125)**	**($162,250)**

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 33 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	5 FTE	5 FTE	5 FTE
Total Estimated Net Effect on FTE	**5 FTE**	**5 FTE**	**5 FTE**

☐ 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 2015	FY 2016	FY 2017
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Conversion of Social Tax Credits to Tax Deductions

Oversight notes this proposal would convert the social tax credits as currently allowed under these existing tax credit programs into tax deductions. Oversight assumes that all current credits which would become deductions would, if implemented, authorize a taxpayer to subtract the newly created deduction amount from adjusted gross income as determined under existing provisions for individuals, or from taxable income as determined under existing provisions for corporations. Oversight will reflect the savings from the conversion starting in FY 2015.

Oversight assumes that some taxpayers would no longer be interested in participating in these programs when they no longer get the full value of the tax credit but just a tax deduction. Therefore, Oversight assumes the impact would be $0 (no taxpayers continue participation) to estimated savings amount.

Officials at the **Office of Administration's Division of Budget and Planning** (**BAP**) assume this proposal would not fiscally impact BAP. This proposal converts social and domestic tax credits, including the Senior Property Tax Credit, into tax deductions. The deductions are in the amount of what the tax credit would have otherwise been. Assuming each taxpayer that would have gotten these credits is paying tax at the highest marginal rate, this proposal would increase General and Total State Revenues by 94% of the amount of the previous credits. However, this proposal may impact the participation rates in the programs. BAP cannot estimate the net impacts.

§135.010 - 135.030 Senior Property Tax

Oversight notes this part of the proposal changes this tax credit to a deduction equal to the amount of tax credit seniors would have received starting on January 1, 2014 (FY 2014). This tax credit does not currently have an annual cap and the five year issue average is $116,724,260.

Conversion of the tax credit to a deduction is calculated as $116,724,260 x .06 = $7,003,456. The savings to the state is the amount previously issued minus the new deduction amount $116,724,260 - $7,003,456 = $109,720,804.

§135.090 Peace Officer/Surviving Spouse

Oversight notes this part of the proposal changes this tax credit to a deduction equal to the amount of tax credit surviving spouses would have received starting on January 1, 2014 (FY 2014). This tax credit does not currently have an annual cap and the five year issue average is $32,024.

ASSUMPTION (continued)

Conversion of the tax credit to a deduction is calculated as $32,024 x .06 = $1,921. The savings to the state is the amount previously issued minus the new deduction amount $32,024 - $1,921 = $30,103.

§135.327 Special Needs Adoption
Oversight notes this part of the proposal, starting on January 1, 2014 (FY 2014) would allow a person who adopts a special needs child to subtract up to $10,000 from their Missouri adjusted gross income or a business entity would be able to subtract up to $10,000 from their Missouri business income for the expenses of adopting a child. This proposal currently has a $2 million annual cap and the five year issue average is $1,691,970.

Conversion of the tax credit to a deduction is calculated as $1,691,970 x .06 = $101,518. The savings to the state is the amount previously issued minus the new deduction amount $1,691,970 - $101,518 = $1,590,452.

§135.341 Champion for Children
Oversight notes this part of the proposal changes this tax credit to a deduction equal to 50% of the taxpayer's verified contribution starting on January 1, 2014 (FY 2014). This tax credit currently has a $1 million annual cap and the five year issue average is $566,648.

Conversion of the tax credit to a deduction is calculated as $566,648 x .06 = $33,999. The savings to the state is the amount previously issued minus the new deduction amount $566,648 - $33,999 = $532,649.

§135.460 Youth Opportunities
Oversight notes this part of the proposal changes this tax credit to a deduction equal to the amount of tax credit which would have been received starting on January 1, 2014 (FY 2014). This tax credit has a $6 million annual cap and the five year issue average is $4,773,893.

Conversion of the tax credit to a deduction is calculated as $4,773,893 x .06 = $286,434. The savings to the state is the amount previously issued minus the new deduction amount $4,773,893 - $286,434 = $4,487,459.

§135.550 Domestic Violence
Oversight notes this part of the proposal changes this tax credit to a deduction equal to 50% of the taxpayer's verified contribution starting on January 1, 2014 (FY 2014). This tax credit currently has a $2 million cap and the five year issue average is $1,048,209.

ASSUMPTION (continued)

Conversion of the tax credit to a deduction is allowed at 50% the contribution rate and is calculated as \$1,048,209 x .06 = \$62,893. The savings to the state is the amount previously issued minus the new deduction amount \$1,048,209 - \$62,893 = \$985,316.

§135.562 Residential Dwelling Individuals
Oversight notes this part of the proposal changes this tax credit to a deduction equal to the amount of tax credit which would have been received starting on January 1, 2014 (FY 2014). This tax credit has a \$100,000 annual cap and the five year issue average is \$15,250.

Conversion of the tax credit to a deduction is calculated as \$15,250 x .06 = \$915. The savings to the state is the amount previously issued minus the new deduction amount \$15,250 - \$915 = \$14,335.

§135.575 & §191.1056 Healthcare Access tax credit and Healthcare Access Fund
Oversight notes this part of the proposal in §135.575, changes this tax credit to a deduction equal to the amount of tax credit which would have been received starting on January 1, 2014 (FY 2014). This tax credit has a \$1 million annual cap but this program has never been implemented. Oversight assumes this part of the proposal would have no fiscal impact.

Oversight notes that this part of the proposal in §191.1056 prohibits the authorization and the issuance of any of the credits in §191.1050 to 191.1056, after December 31, 2015 (FY 2016) but allows the credits that were authorized and issued to be redeemed over 10 years. Since this program was never implemented, Oversight assumes this part of the proposal would have no fiscal impact.

§135.600 Maternity Homes
Oversight notes this part of the proposal changes this tax credit to a deduction equal to the amount of tax credit which would have been received starting on January 1, 2014 (FY 2014). This tax credit has a \$2 million an annual cap and the five year issue average is \$1,313,853.

Conversion of the tax credit to a deduction is calculated as \$1,313,853 x .06 = \$78,831. The savings to the state is the amount previously issued minus the new deduction amount \$1,313,853 - \$78,831 = \$1,235,022.

§135.630 Pregnancy Resource Center
Oversight notes this part of the proposal changes this tax credit to a deduction equal to the amount of tax credit which would have been received starting on January 1, 2014 (FY 2014). This tax credit has a \$2 million an annual cap and the five year issue average is \$1,614,343.

ASSUMPTION (continued)

Conversion of the tax credit to a deduction is calculated as $1,614,343 x .06 = $96,861. The savings to the state is the amount previously issued minus the new deduction amount $1,614,343- $96,861 = $1,517,482.

§135.647 Food Pantry
Oversight notes this part of the proposal changes this tax credit to a deduction equal to the amount of tax credit which would have been received starting on January 1, 2014 (FY 2014). This tax credit has a $1,250,000 annual cap and the five year issue average is $640,720.

Conversion of the tax credit to a deduction is calculated as $640,720 x .06 = $38,443. The savings to the state is the amount previously issued minus the new deduction amount $640,720 - $38,443 = $602,277.

§660.055 Shared Care
Oversight notes this part of the proposal changes this tax credit to a deduction equal to the amount of tax credit which would have been received starting on January 1, 2014 (FY 2014). This tax credit does not currently have an annual cap and the five year issue average is $134,300.

Conversion of the tax credit to a deduction is calculated as $134,300 x .06 = $8,058. The savings to the state is the amount previously issued minus the new deduction amount $134,300 - $8,058 = $126,242.

Officials at the **Department of Health and Senior Services** assume in FY 2013, 176 individuals registered for the Shared Care Tax Credit under §660.055, RSMo, with 103 actually claiming a tax credit. The tax credits issued totaled $88,000 with $41,645 actually redeemed, or an average of $404 per claimant. The average annual cost per participant in HCBS was $10,699. The average annual cost per client in a nursing facility was $42,292.

If the Shared Care Tax Credit is eliminated, savings of up to $88,000 would be realized for that fiscal year. However, this would be offset by any tax deductions claimed by caregivers during a tax year. It is possible that an increased number of individuals would utilize Medicaid-funded long-term care services by either entering a nursing facility or utilizing HCBS if the tax credit is not authorized. The estimated fiscal impact of this proposal is $0-$88,000 in General Revenue savings for each year, since the Shared Care Tax Credit can be carried forward three years with tax year 2013 as the last year individuals could register for the credit.

ASSUMPTION (continued)

Table A - Conversion of Tax Credits to Deductions

Program Name	Previous Tax Credit	New Deduction	Estimated Savings
Senior Property Tax	$116,724,260	$7,003,456	$109,720,804
Peace Officer/Surviving	$32,024	$1,921	$30,103
Special Needs Adoption	$1,691,970	$101,518	$1,590,452
Champion for Children	$566,648	$33,999	$532,649
Youth Opportunities	$4,773,893	$286,434	$4,487,459
Domestic Violence	$1,048,209	$62,893	$985,316
Residential Dwelling	$15,250	$915	$14,335
Healthcare Access	$0	$0	$0
Maternity Home	$1,313,853	$78,831	$1,235,022
Pregnancy Resource	$1,614,343	$96,861	$1,517,482
Food Pantry	$640,720	$38,443	$602,277
Shared Care	$134,300	$8,058	$126,242
TOTAL			$120,842,141

Conversion of Prepay Tax Credits to Tax Deductions
Oversight notes these credits require payment from the agency equal to the value of the tax credit to be issued before the tax credit can be issued to the taxpayer (known as prepaid credits). This part of the proposal does not change how the money is collected from the agency by the state or the amount of money that is collected; however it changes the value of the tax credit to a deduction. The change from tax credit to deduction means the state will take in more money than it needs to cover the deduction and therefore, the state will have increased revenue.

Oversight assumes that some taxpayers would no longer be interested in participating in these programs when they no longer get the full value of the tax credit but just a tax deduction. Therefore, Oversight assumes the impact would be $0 (no taxpayers continue participation) to Unknown.

ASSUMPTION (continued)

§135.1150 Residential Treatment Agency
Oversight notes this part of the proposal changes this tax credit to a deduction equal to the amount of tax credit which would have been received starting on January 1, 2014 (FY 2014). This tax credit does not currently have an annual cap and the five year issue average is $427,123.

Conversion of the tax credit to a deduction is calculated as $427,123 x .06 = $25,627. The savings to the state is the amount previously issued minus the new deduction amount $427,123 - $25,627 = $401,496.

§135.1180 Developmental Disability
Oversight notes this part of the proposal changes this tax credit to a deduction equal to the amount of tax credit which would have been received starting on January 1, 2014 (FY 2014). This tax credit does not currently have an annual cap and has only been in existence since 2012 so there is not enough redemption data to estimate impact. Oversight will show the increased revenue to the state as Unknown.

Table B - Conversion of Prepay Credits to Tax Deductions

Program Name	Previous Tax Credit	New Deduction	Estimated Savings
Residential Treatment Agency	$427,123	$25,627	$0 to $401,496
Developmental Disability	Unknown	Unknown	$0 to Unknown
TOTAL			$0 to Unknown

§33.282 Tax Credit Budget
Officials at the **Office of Administration** defer to BAP for fiscal impact.

Officials at the **BAP** assume this proposal ends authorization of tax credits intended for economic development purposes August 2014. Carry-forward provisions are provided for unredeemed credits. OA shall develop a redeemable tax credit budget to be submitted to the general assembly that indicates the amounts of redemption for the carried-forward credits. Reduced tax credit authorization will increase General and Total State Revenues. However, this proposal may reduce the economic activity associated with these credits. BAP cannot estimate the induced revenues.

ASSUMPTION (continued)

Oversight assumes that the Office of Administration would have an unknown fiscal impact from the creation and tracking of the tax credit budget. Oversight will indicate Unknown costs for the tax credit budget.

Tax Code Changes

§143.011 & 143.021 Changes to the Personal Income Tax Brackets

Officials from the **University of Missouri - Economic Policy and Analysis Research Center (EPARC)** assume this proposal would, if enacted, reduce the top rate for Missouri individual filers from 6% to 5.85% in 2016 and then to 5.45% in 2017.

First they reduced the top tax rate to 5.85% for 2016. When we reduce the top tax rate to 5.85% we see Net Tax Due equals $4,993.120 million. This is a decrease of $116.319 million. Therefore, reducing the top tax rate to 5.85% will decrease Net General Revenue by $116.319 million in 2016.

Next they reduced the top tax rate to 5.45% for 2017. When we reduce the top tax rate to 5.45% we see Net Tax Due equals $4,686.381 million. This is a decrease of $423.058 million. Therefore, reducing the top tax rate to 5.45% will decrease Net General Revenue by $423.058 million in 2017.

Officials at the **BAP** assume this proposal reduces the top personal income tax rate from 6% to 5.85% for tax years 2014 to 2016, and to 5.45% for years 2017 and after. Based on tax year 2011 data, the first reduction will reduce General and Total State Revenues by $103.2 million, the second reduction by $378.2 million.

Oversight will use the EPARC estimates of revenue reductions for this proposal. Oversight notes the first reduction in this proposal is for January 1, 2014 through December 31, 2016 which would impact income tax returns filed January, 2015 (FY 2015) through April 2017. The next reduction takes place beginning January 1, 2017, which would impact tax return filings starting January 1, 2018 (which is outside the fiscal note period). Oversight will show the loss of revenue to the state as $116,319,000 for each fiscal year in the fiscal note. Oversight notes that reduction would increase to $423,058,000 for each year outside the fiscal note period. Oversight is aware that taxpayers may choose to reduce their estimated tax payments or their tax withholdings in anticipation of a tax cut; however, for fiscal note purposes, Oversight will indicate the full revenue reduction in the year when the tax returns would be filed for the proposal.

ASSUMPTION (continued)

Elimination of Tax Credits
§32.115 Affordable Housing and Neighborhood Assistance Tax Credits
Oversight notes this part of the proposal prohibits the authorization of any of these credits after August 28, 2014, and the issuance of these credits after June 30, 2015 (FY 2015). The Affordable Housing credit has an annual cap of $11 million and has a five year issue average of $6,109,858. The Neighborhood Assistance credit has an annual cap of $16 million annually and has a five year issue average of $9,699,804.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after June 30, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2016. Oversight will reflect no impact to the state in FY 2015, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2016.

Officials at the **Missouri Housing Development Commission** (**MHDC**) assume that according to the most recent Form 14 the Affordable Housing program has $10 million in outstanding redemptions. It is difficult to estimate with any degree of certainty, the amount of credits that may be redeemed under the proposal. MHDC assumes the authorizations for Affordable Housing tax credit will be $11 million in FY 2015.

§§67.3000 and 67.3005 Amateur Sporting Event credits
Oversight notes this part of the proposal prohibits the authorization of the Amateur Sporting Event credit that is allowed for tickets sold, after August 28, 2014. These credits currently have a $3 million annual cap, however none have been issued as the credit has only been in existence since 2013.

Additionally this part of the proposal prohibits the authorization of the Amateur Sporting Event credit for local organizing committees (the prepay credit). This credit has a $10 million annual cap; however none have been issued as the credit has only been in existence since 2013.

Oversight assumes that since this credit's never been issued, the language eliminating the authorization and issuance of this credit would not have a fiscal impact.

§100.286 MDFB Infrastructure
Oversight notes this part of the proposal prohibits the authorization of any of these credits after August 28, 2014, and the issuance of these credits after December 31, 2015 (FY 2016). This credit has a annual cap of $25 million and a five year issue average of $18,770,520.

ASSUMPTION (continued)

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after December 31, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2017. Oversight will reflect no impact to the state in FY 2015 and FY 2016, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2017.

Officials at the **Missouri Development Finance Board** (**MDFB**) estimate that this proposal could affect donor behavior, in regards to timing of donations and timing of redemptions. However, it is unknown what this impact may be. As of February 28, 2014, MDFB had $10,569,849 in credits authorized to be issued.

§100.297 MDFB Bond Guarantee
Oversight notes this part of the proposal prohibits the authorization of any of these credits after August 28, 2014 (FY 2015). This credit has an aggregate cap of $50 million of which $48,812,870 is still available.

Oversight will not indicate a savings from these credits not being issued as it is unclear if these credits would ever be issued. It is unclear if these credits not being issued would result in additional costs to the state. Oversight will not reflect any costs to the state from this proposal.

§§100.780 and 100.850 Build
Oversight notes this part of the proposal in §100.850 prohibits the authorization of any of these credits after August 28, 2014 (FY 2015). This credit has an annual cap of $25 million and a five year issue average of $8,918,017.

Oversight assumes this proposal in §100.850 would prohibit the authorization of any further tax credits under this program after August 28, 2014. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2016. Oversight will reflect no impact to the state in FY 2015, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2016.

Oversight notes this part of the proposal in §100.780 changes the assessment made on projects approved on or after August 28, 2014 (FY 2015) from fifteen years to ten years. Since this proposal in §100.850 no longer allows projects after August 28, 2014, §100.750 is irrelevant and would not have a fiscal impact.

ASSUMPTION (continued)

§135.110 Business Facility
Oversight notes this part of the proposal prohibits the authorization of any of these credits after August 28, 2014 and the issuance of these credits after December 31, 2015 (FY 2016). This credit does not currently have an annual cap and the five year issue average is $5,196,663.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after December 31, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2017. Oversight will reflect no impact to the state in FY 2015 and FY 2016, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2017.

§135.352 Low Income Housing
Oversight notes this part of the proposal prohibits the authorization of any of these credits after August 28, 2014 (FY 2015). This credit has a cap based on the federal cap and the five year issue average is $157,438,827.

Oversight assumes this proposal would prohibit the authorization of any further tax credits under this program after August 28, 2014 (FY 2015). Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2016. Oversight will reflect no impact to the state in FY 2015, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2016.

Officials at the **MHDC** assume that according to the most recent Form 14 the Low Income Housing program has $1 billion in outstanding redemptions. It is difficult to estimate with any degree of certainty, the amount of credits that may be redeemed under the proposal. MHDC assumes the authorizations for this credit will be $19.7 million in FY 2015.

§135.481 Neighborhood Preservation
Oversight notes this part of the proposal prohibits the authorization and issuance of this credit after December 31, 2015 (FY 2016). This credit has a $16 million annual cap and the five year issue average is $3,425,626.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after December 31, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2017. Oversight will

ASSUMPTION (continued)

reflect no impact to the state in FY 2015 and FY 2016, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2017.

§135.490 Disabled Access - Small Business
Oversight notes this part of the proposal prohibits the authorization and issuance of this credit after December 31, 2015 (FY 2016). This credit does not currently have an annual cap and the five year issue average is $19,080.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after December 31, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2017. Oversight will reflect no impact to the state in FY 2015 and FY 2016, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2017.

§135.679 Qualified Beef
Oversight notes this part of the proposal prohibits the authorization and issuance of this credit after December 31, 2015 (FY 2016). This credit has a current stop date scheduled for December 31, 2016. This credit has a $3 million annual cap and the five year issue average is $295,616.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after December 31, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2017. Oversight will reflect no impact to the state as the credit is already scheduled to stop.

§135.700 Wine and Grape Producers
Oversight notes this part of the proposal prohibits the authorization of any of these credits after August 28, 2014, and the issuance of these credits after December 31, 2015 (FY 2016). This credit does not currently have an annual cap and the five year issue average is $105,845.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after December 31, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2017. Oversight will reflect no impact to the state in FY 2015 and FY 2016, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2017.

ASSUMPTION (continued)

§137.1018 Rolling Stock
Oversight notes this part of the proposal prohibits the authorization and issuance of this credit after December 31, 2015 (FY 2016). This credit required appropriation by the General Assembly in order for credits to be issued. No appropriation has been made.

Oversight assumes that since this credit has never been appropriated or authorized, the language eliminating the authorization and issuance of this credit would not have a fiscal impact.

§143.119 Self Employed Health Insurance
Oversight notes this part of the proposal prohibits the authorization and the issuance of these credits after December 31, 2015 (FY 2016). This credit does not currently have an annual cap and the five year issue average is $1,666,484.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after December 31, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2017. Oversight will reflect no impact to the state in FY 2015 and FY 2016, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2017.

§§143.471, 148.620, 148.655, 148.657 Bank S Corp
Oversight notes this part of the proposal prohibits the authorization and the issuance of these credits after December 31, 2015 (FY 2016). This credit does not currently have an annual cap and the five year issue average is $3,306,140.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after December 31, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2017. Oversight will reflect no impact to the state in FY 2015 and FY 2016, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2017.

§148.064 Bank Franchise
Oversight notes this part of the proposal prohibits the authorization and the issuance of these credits after December 31, 2015 (FY 2016). This credit does not have an annual cap and the five year issue average is $2,770,124.

ASSUMPTION (continued)

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after December 31, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2017. Oversight will reflect no impact to the state in FY 2015 and FY 2016, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2017.

§148.400 Missouri Examination Fee
Oversight notes this part of the proposal prohibits the authorization and the issuance of these credits after December 31, 2015 (FY 2016). This credit does not have an annual cap and the five year issue average is $6,846,993.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after December 31, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2017. Oversight will reflect no impact to the state in FY 2015 and FY 2016, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2017.

§208.770 Family Development Account
Oversight notes this part of the proposal prohibits the authorization of any of these credits after August 28, 2014, and the issuance of these credits after June 30, 2015 (FY 2015). This credit has a $300,000 annual cap and the five year issue average is $14,000.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after June 30, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2016. Oversight will reflect no impact to the state in FY 2015, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2016.

§253.550 Historic Preservation
Officials at the **Department of Natural Resources** (**DNR**) assume this proposal would prohibit Economic Development from issuing Historic Preservation Tax Credits after August 28, 2014 or issued after June 30, 2015. The State Historic Preservation Office is responsible for reviewing and approving rehabilitation work for the state historic preservation tax credit program. Eliminating the Historic Preservation Tax Credit Program will eliminate the number or rehabilitation projects the State Historic Preservation Office reviews and approves. Additionally,

ASSUMPTION (continued)

with elimination of projects, the fee assessed per tax credit that in part funds the State Historic Preservation Office staff salaries and expenses will also be reduced or eliminated (Economic Development Advancement Fund 0783). Current appropriation authority from the fund is $110,155.

Oversight notes this part of the proposal prohibits the authorization of any of these credits after August 28, 2014, and the issuance of these credits after June 30, 2015 (FY 2015). This credit has a $140 million annual cap and the five year issue average is $104,031,444.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after June 30, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2016. Oversight will reflect no impact to the state in FY 2015, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2016.

§348.434 Agricultural Product/New Generation Cooperative

Oversight notes this part of the proposal prohibits the authorization of any of these credits after August 28, 2014, and the issuance of these credits after June 30, 2015 (FY 2015). These credits have a $6 million shared annual cap and the five year issue average is $4,729,821.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after June 30, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2016. Oversight will reflect no impact to the state in FY 2015, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2016.

§348.505 Family Farm Breeding

Oversight notes this part of the proposal prohibits the authorization of any of these credits after August 28, 2014, and the issuance of these credits after June 30, 2015 (FY 2015). This credit has a $300,000 annual cap and the five year issue average is $61,137.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after June 30, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2016. Oversight will reflect no impact to the state in FY 2015, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2016.

ASSUMPTION (continued)

§375.774 Property and Casualty Guaranty
Oversight notes this part of the proposal prohibits the authorization and the issuance of these credits after December 31, 2015 (FY 2016). This credit does not have an annual cap and the three year issue average is $1,402,380.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after December 31, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2017. Oversight will reflect no impact to the state in FY 2015 and FY 2016, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2017.

§376.745 Life and Health Insurance Guaranty
Oversight notes this part of the proposal prohibits the authorization and the issuance of these credits after December 31, 2015 (FY 2016). This credit does not have an annual cap and the five year issue average is $10,123,894.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after December 31, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2017. Oversight will reflect no impact to the state in FY 2015 and FY 2016, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2017.

§§376.975 & 376.980 Health Insurance High Risk Pool tax credit and sales and use credit
Oversight notes this part of the proposal prohibits the authorization and the issuance of these credits after December 31, 2015 (FY 2016). This credit does not have an annual cap and the five year issue average is $12,589,350. Oversight assumes this part of the proposal also prohibits the authorization and issuance of the sales and use credit allowed under this section.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after December 31, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2017. Oversight will reflect no impact to the state in FY 2015 and FY 2016, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2017.

ASSUMPTION (continued)

§447.708 Brownfields
Oversight notes this part of the proposal prohibits the authorization of the group of credits, known as the Brownfield credits, after August 28, 2014, and the issuance of these credits after December 31, 2015 (FY 2016). These credits did not have an annual cap and the five year issue average is $15,963,565.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after December 31, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2017. Oversight will reflect no impact to the state in FY 2015 and FY 2016, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2017.

§620.495 Small Business Incubators
Oversight notes this part of the proposal prohibits the authorization of any of these credits after August 28, 2014 and the issuance of these credits after December 31, 2015 (FY 2016). This credit has a $500,000 annual cap and the five year issue average is $174,452.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after December 31, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2017. Oversight will reflect no impact to the state in FY 2015 and FY 2016, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2017.

§620.809 Community College Training
Oversight notes this part of the proposal prohibits the authorization of any of these credits after July 1, 2015 (FY 2016). This credit does not have an annual cap.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after December 31, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2017. Oversight will reflect no impact to the state in FY 2015 and FY 2016, and will reflect an unknown savings to the state, from the prohibition on the issuance of credits starting FY 2017.

ASSUMPTION (continued)

§620.2020 Missouri Works
Oversight notes this part of the proposal prohibits the authorization of any of the MoWorks credits after July 1, 2015 (FY 2016). This program originally eliminated four other credits (§32.115 - development, §135.535 - rebuilding communities, §§135.967 - 135.968 - enhance enterprise zone and quality jobs). Those credits have a combined issue average of $37,432,762.

This proposal included the elimination of the development, rebuilding communities, and enhanced enterprise zone credits but gave them different stops dates than the MoWorks credit. This proposal did not include the quality jobs credits though they were eliminated with the creation of MoWorks. **Oversight** for this simplicity of the fiscal note, is reflecting the MoWorks program stopping on July 1, 2015, and includes all four credits that make up MoWorks.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after July1, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2017. Oversight will reflect no impact to the state in FY 2015 and FY 2016, and will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2017.

Table C - Elimination of the Issuance of Tax Credits

Program Name	FY 2015	FY 2016	FY 2017
Affordable Housing	$0	$6,109,858	$6,109,858
Neighborhood Assist	$0	$9,699,804	$9,699,804
Amateur Sporting -tickets	$0	$0	$0
Amateur Sporting -locals	$0	$0	$0
MDFB Infrastructure	$0	$0	$18,770,520
MDFB Bond Guarantee	$0	$0	$0
Build	$0	$8,918,017	$8,918,017
Business Facility	$0	$0	$5,196,663
Low Income Housing	$0	$157,438,827	$157,438,827
Neighborhood Pres	$0	$0	$3,425,626

Program Name	FY 2015	FY 2016	FY 2017
Dis Access - SB	$0	$0	$19,080
Qualified Beef	$0	$0	$0
Wine & Grape	$0	$0	$105,845
Rolling Stock	$0	$0	$0
Self Employed Health Insurance	$0	$0	$1,666,484
Bank S Corp	$0	$0	$3,306,140
Bank Franchise	$0	$0	$2,770,124
MO Exam Fee	$0	$0	$6,846,993
Family Development Account	$0	$14,000	$14,000
Historic Preservation	$0	$104,031,444	$104,031,444
Ag Prod/New Gen	$0	$4,729,821	$4,729,821
Family Farm Breeding	$0	$61,137	$61,137
Property & Casualty	$0	$0	$1,402,380
Life & Health Insurance	$0	$0	$10,123,894
Health High Risk Pool	$0	$0	$12,589,350
Brownfields	$0	$0	$15,963,565
Small Business Incubators	$0	$0	$174,452
Community College	$0	$0	Unknown
Missouri Works	$0	$0	$37,432,762
TOTAL	$0	$291,002,908	$410,796,786

ASSUMPTION (continued)

Current Redemption of the Tax Credits
Oversight has listed in Table D the tax credits programs outlined in this proposal and their current carry forward and carry back provisions. Additionally, Oversight has listed the outstanding balance of credits to be redeemed. Oversight notes that the outstanding balance of credits to be redeemed below are from the Form 14's that are submitted with each agency's budget. According to the budget instructions each agency is to calculate the amount of credits outstanding taking the amount issued and subtracting the amount redeemed and those credits that may have expired.

Oversight notes these credits have a redemption schedule and that this proposal does not change the redemption schedule. Therefore, these credits redemptions will not impact this fiscal note.

Table D - Outstanding credits that can be redeemed

Program Name	Current Carry Forward (CF) & Carry Back (CB) Provision	Outstanding per Form 14
Affordable Housing	CF - 10 years	$8,590,856
Neighborhood Assist	CF - 5 years	$13,392,772
Amateur Sporting -tickets	CB -1 year & CF - 1 years	$0
Amateur Sporting -locals	CF - 2 years	$0
MDFB Infrastructure	CF - 5 years	$13,372,922
MDFB Bond Guarantee	CF - 10 years	$0
Build	CF - 10 years	$14,265,783
Business Facility	CF - 5 years	$3,306,169
Low Income Housing	CB - 3 years & CF - 5 years	$941,262,133
Neighborhood Pres	CB - 3 years & CF - 5 years	$2,903,344
Dis Access - SB	CF- any subsequent year	$66,722
Qualified Beef	CB - 3 years & CF - 5 years	$431,095
Wine & Grape	Apply for 5 years	$94,186

Program Name	Current Carry Forward (CF) & Carry Back (CB) Provision	Outstanding per Form 14
Rolling Stock	none listed	$0
Self Employed Health Insurance	none listed	$0
Bank S Corp	CF - 5 yeas	$3,069,611
Bank Franchise	none listed	$0
MO Exam Fee	CF - 5 years	$5,812,009
Family Development Account	none listed	$0
Historic Preservation	CB - 3 years & CF - 10 years	$76,919,769
Ag Prod/New Gen	CB - 3 years & CF - 5 years	$15,164,606
Family Farm Breeding	CF - 3 years	$39,293
Property & Casualty	none listed	$0
Life & Health Insurance	none listed	$21,571,431
Health High Risk Pool	until exhausted	$14,551,150
Brownfields	CF - 20 years	$21,275,617
Small Business Incubators	CF - 5 years	$330,375
Community College	none listed	$0
Missouri Works	none listed	$0
TOTAL		$1,156,419,843

ASSUMPTION (continued)

New 10% Redemption Rule
Oversight notes this proposal adds language that states "any such tax credit issued before ..., that is not redeemed in the period the contribution was made may be carried forward to the taxpayer's ten subsequent taxable years, but no more than ten percent of the amount of such tax credit that is carried forward shall be redeemed in any single subsequent taxable year. No percentage of the amount carried forward as provided in this subsection shall be redeemed unless and until the estimate of the redemption of such credits has been reviewed and approved as provided in subsection 4 of section 33.282".

Oversight assumes this proposal would require some credits to use this new 10% redemption language starting on January 1, 2016 (FY 2016). Oversight assumes that since the legislature must give approval prior to any credits being redeemed, Oversight will show the impact as $0 (no credits can be redeemed) or the annual limit of 10% of the outstanding balance. Since the redemptions do not have to follow this language until FY 2016, the new redemption amount will begin to be reflected as Greater than 10% of the outstanding balance starting in FY 2017. Oversight in Table E has listed the tax credits that would be bound by the new 10 % redemption rule.

Table E - Tax Credits Bound by New 10 % Redemption Rule

Program Name	Outstanding per Form 14
Neighborhood Pres	$2,903,344
Disabled Access- Small Business	$66,722
CapCo	$1,570,562
Wine & Grape	$94,186
Rolling Stock	$0
Self Employed Health Insurance	$0
Bank Franchise	$0
MO HealthCare Access	$0
Family Development Account	$0
Historic Preservation	$76,919,769

Program Name	Outstanding per Form 14
Property & Casualty	$0
Life and Health Insurance	$21,571,431
Health High Risk Pool	$14,551,150
Total	$117,677,164

Oversight notes that several of these tax credits did not previously allow for the credit to be carried forward or back. Therefore, by placing this language on the credit future issuances would be allowed to be carried forward per the new 10% rule established in this proposal. Therefore, the redemption amount could be higher in future years. Additionally, this proposal allows outstanding CapCo Credits §135.503 to be carried forward even though the redemptions were previously stopped.

Since credits will still be authorized, issued and redeemed prior to the new redemption rules coming into law, and since this new language allows as many credits to be redeemed as can be prior to the 10% rule becoming effective; **Oversight** assumes a large number of tax credit holders will wish to redeem their credits prior to the new 10% rule. The 10% rule has the problem of not allowing future holders of tax credits to get the full value of the credit, should the legislature not allow redemptions. Due to the possibility that many credits may be redeemed in FY 2015 and FY 2016 and the inability to calculate how many that would be, Oversight will show the impact as Greater than $100,000 in FY 2015 and FY 2016.

Current 10 year redemptions bound by new 10% redemption rule
Oversight notes that in subsection 4 of section 33.282 "any amount of any tax credit that is not redeemed in the period the contribution was made ...that is authorized to be carried forward over the taxpayer's ten subsequent taxable years" should be subject to the new 10 % redemption rule. Table F shows the tax credit programs that previously had a 10 year redemption period. While these tax credits did not have the new language referencing their redemption to the new rule created under subsection 4 of section 33.282, they did have a 10 year redemption and Oversight notes they would also be bound by the new redemption rule.

Oversight assumes this proposal would require some credits to use the new redemption language starting on January 1, 2016 (FY 2016). Oversight assumes that since the legislature must give approval prior to any credits being redeemed, Oversight will show the impact as $0 (no credits can be redeemed) or the annual limit of 10% of the outstanding balance. Since the redemptions do not have to follow this language until FY 2016, the new redemption amount will begin to be

ASSUMPTION (continued)

reflected as Greater than 10% of the outstanding balance starting in FY 2017.

Table F - Current 10 years Carry Forward Bound by New 10 % Redemption Rule

Program Name	Outstanding per Form 14
Affordable Housing	$8,590,856
Bond Guarantee	$0
Build	$14,265,783
Community Development	$2,249
Total	$22,858,888

§137.106 Repealed Homestead Tax Credit
Oversight notes this part of the proposal repeals the Homestead tax credit. Oversight assumes this part of the proposal would not have a fiscal impact as the program has already sunset.

Agency Responses to the Whole Bill
Officials at the **Department of Agriculture** assume the loss of tax credits fees paid to the Missouri Agriculture and Small Business Development Agency in the amount of $81,125 in FY 2016 and $162,250 starting in FY 2017.

Officials at the **Department of Social Services** (**DOS**) assume this proposal changes donations to qualified agencies for tax credit programs administered by DOS (Domestic Violence, Maternity Home, Pregnancy Resource Center, Residential Treatment, and Developmental Disability Care Provider) from tax credits to deductions effective January 1, 2014. Since all deductions allowed under this subsection shall be subject to the same procedures and requirements for taxpayers claiming tax credits, the processes for DOS should remain unchanged.

The expiration date of December 31, 2026, has been added to the Residential Treatment Agency programs. The sunset date for the Developmental Disability Care Provider and the Pregnancy Resource Center program has been removed. DOS already works with these programs and will continue to do so.

Officials at the **Department of Revenue** (**DOR**) assume the IT portion of this proposal would require computer programming changes to the Corporate Tax and Individual Income Tax systems. The IT portion is estimated to be $128,419 for 4,704 FTE hours.

ASSUMPTION (continued)

The legislation creates an expiration date of August 28, 2014 for the following sections:

Section 32.115	Section 135.110	Section 447.708
Section 67.3000	Section 135.352	
Section 67.3005	Section 135.700	
Section 100.286	Section 208.770	
Section 100.297	Section 253.550	
Section 100.780	Section 348.434	
Section 100.850	Section 348.505	

The legislation removes the carry forward language or creates an expiration date of December 31, 2015 for the following sections:

Section 135.481	Section 137.1018	Section 191.1056
Section 135.490	Section 143.119	Section 375.774
Section 135.503	Section 143.471	Section 376.745
Section 135.535	Section 148.064	Section 376.975
Section 135.679	Section 148.400	Section 376.980
Section 135.700	Section 148.620	Section 620.495
Section 135.967	Section 184.655	
Section 135.968	Section 148.657	

The following sections sunset the tax credit and authorize a tax deduction for eligible claimants.

Section 135.010	Section 135.327	Section 135.600
Section 135.015	Section 135.341	Section 135.630
Section 135.020	Section 135.460	Section 135.647
Section 135.025	Section 135.550	Section 135.1150
Section 135.030	Section 135.562	Section 135.1180
Section 135.090	Section 135.575	Section 660.055

In fiscal year 2013, the total of all tax credits redeemed equaled $512.9 million. Eliminating tax credits would increase Total State Revenue by this amount.

The social tax credits had total redemptions of $129.6 million in fiscal year 2013. Because the tax credits in the above sections would now be available as a deduction, the Department estimates a reduction of $7.8 million to Total State Revenue ($129.6 million x 6%).

ASSUMPTION (continued)

Personal Tax Division would require three Revenue Processing Technicians I to process correspondence, errors, and answer additional phone calls. The Corporate Tax Division would require two Revenue Processing Technicians I to process correspondence, errors, and answer additional phone calls. The Collections and Tax Assistance Division assume that §135.010 reduces the number of individuals eligible for the property tax credit. In order to reduce personnel, there would need to be a reduction of over 150,000 calls annually. However, CATA may be able to reduce staff by one (1) less Temporary Tax Employee for every 2,000 returns prepared.

Oversight assumes that the DOR would need these additional FTE for the 10 years that the new language regarding redemptions is in effect. Therefore, in 2025 the DOR would no longer need these FTE as the language regarding the redemptions would expire. Oversight will reflect in the fiscal note the increased cost to the state of the additional FTE.

Officials at the **Department of Economic Development** (**DED**) assume this eliminate all tax credit programs. DED assumes a positive fiscal impact of approximately $500,000,000 over a period of years offset by negative impacts and a decrease in economic activity. Negative factors:

Vested Interest in Tax Credit = DED assumes litigation may arise as to whether an individual who has been authorized a credit has a vested right to that credit. If as a result of this legislation individuals who have been authorized a tax credit cannot be issued that tax credit then does the individual have a vest right in the tax credit. DED assumes this question will result in litigation which may have a negative impact on total state revenue.

Influx of Redemption = DED assumes there is a possibility that individuals with issued tax credits that have a carryover period will not carryover their tax credits and will instead rush to redeem all their issued tax credits immediately. This would create an influx in redemptions which would result in a larger negative impact before the elimination on December 31, 2014.

Value of Credits = DED assumes the current cost-benefit analysis may reflect a higher cost than benefit to some of the programs as the result of this bill. In addition, the value of tax credits may significantly reduced.

Overall = DED assumes the above mentioned negative factors are not exhaustive and this legislation may result in decreased economic activity in Missouri. DED did not take into consideration any changes to the tax code and will defer to DOR for their response.

ASSUMPTION (continued)

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state this proposal may have an unknown increase to premium tax revenue due to the sunset 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.

Officials at the **Department of Economic Development's Division of Workforce Development** assume the fiscal impact is unknown, but estimated to be in the millions of dollars based on the number of commitments currently on the books to companies. Companies may no longer be able to able to access training assistance for creating new jobs.

Disclaimers
Oversight assumes the many changes to existing programs in this proposal may have a impact on the state. However, Oversight considers this to be indirect impact of the proposals and will not reflect them in the fiscal note.

Oversight assumes that several agencies use FTE to currently administer tax credits listed in this proposal. Due to the eventual elimination of the tax credits the agencies would no longer need the administrating FTE. The savings from the reduction of FTE is unknown and would occur outside the fiscal note periods.

FISCAL IMPACT - State Government	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
Additional Revenue - social tax credits converted to deductions (Table A)	$0 to $120,842,141	$0 to $120,842,141	$0 to $120,842,141
Additional Revenue - prepay credits converted to deductions (Table B)	$0 to Unknown	$0 to Unknown	$0 to Unknown
Additional Revenue - elimination of tax credits (Table C)	$0	$291,002,908	$410,796,786
Revenue Reduction - decrease in the top tax rate for individuals §144.011*	($116,319,000)	($116,319,000)	($116,319,000)
***starting in FY 2018, the tax rate change reduces taxes by $423,058,000 annually.**			
Revenue Reduction - redemption of outstanding tax credits per new 10 % rule (Table E)	(Greater than $100,000)	(Greater than $100,000)	$0 or (Greater than $11,767,716)
Revenue Reduction - redemption of outstanding tax credits per new 10 % rule (Table F)	(Greater than $100,000)	(Greater than $100,000)	$0 or (Greater than $2,285,889)
Cost - Department of Revenue			
Personal Service	($109,934)	($133,239)	($134,572)
Fringe Benefits	($56,072)	($67,959)	($68,638)
Equipment and Expenses	($39,476)	($5,576)	($5,715)
Total Costs - DOR	($205,482)	($206,774)	($208,925)
Total FTE Change - DOR	5 FTE	5 FTE	5 FTE
Cost - Office of Administration - creation and tracking of tax credit budget§33.282	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**Less than $4,117,659**	**Less than $295,119,275**	**Less than $401,057,397**
Estimated Net FTE Change on General Revenue	5 FTE	5 FTE	5 FTE

FISCAL IMPACT - State Government (continued)	FY 2015 (10 Mo.)	FY 2016	FY 2017
MISSOURI AGRICULTURE AND SMALL BUSINESS DEVELOPMENT AGENCY FUNDS			
Loss - collection of tax credit fees	$0	($81,125)	($162,250)
ESTIMATED NET EFFECT ON MISSOURI AGRICULTURE AND SMALL BUSINESS DEVELOPMENT AGENCY FUNDS	**$0**	**($81,125)**	**($162,250)**

Note: The fiscal note does not reflect the possibility that some of the tax credits could have been utilized by insurance companies against insurance premium taxes. If this occurred, the gain in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

FISCAL IMPACT - Local Government	FY 2015 (10 Mo.)	FY 2016	FY 2017
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses that received the credits or get to change their deductions according to the new rules establishes in this proposal, would be impacted.

FISCAL DESCRIPTION

This bill eliminates tax credits by creating an ending date to authorize and issue the credits. The last date to authorize economic development credits is August 28, 2014 and these credits must be issued by June 30, 2015. All other credits cannot be authorized or issued after December 31, 2015. Any credit issued before the ending date may be carried forward as provided by that credit, but not more than 10 years. The amount of tax credits redeemed each year will be limited based on the Office of Administration's redeemable tax credit budget as approved by a constitutional majority of both chambers of the General Assembly in conjunction with the annual state budget. By October 1, each department with credits issued, but not redeemed, will submit to the budget director the estimated amount of credits eligible for redemption for the following fiscal year. The credits that could have a carryover and need reviewed include: development tax credits, neighborhood assistance tax credits, new generation cooperative tax credits, and affordable housing tax credits issued under Section 32.115, RSMo; infrastructure tax credits issued under Section 100.286; bond guarantee tax credits issued under Section 100.297; business use incentives for large-scale development programs issued under Section 100.850; business facility tax credits issued under Section 135.110; low-income housing tax credits issued under Section 135.352; neighborhood preservation tax credits issued under Section 135.481; disabled access tax credits issued under Section 135.490; certified capital company tax credits and community development corporations tax credits issued under Section 135.503; rebuilding communities tax credits issued under Section 135.535; qualified beef tax credits issued under Section 135.679; wine and grape production tax credits issued under Section 135.700; enhanced enterprise zone tax credits issued under Sections 135.967 and 135.968; self-employed health insurance tax credits issued under Section 143.119; bank tax credits for S corporations issued under Section 143.471; bank franchise tax credits issued under Section 148.064; exam fee tax credits issued under Section 148.400; corporate franchise income tax credits issued under Section 148.620; family development account tax credits issued under Section 208.770; historic preservation tax credits issued under Section 253.550; agricultural product utilization contributor tax credits and new generation cooperative incentive tax credits issued under Section 348.434; family farm breeding livestock loan tax credits issued under Section 348.505; property and casualty guaranty tax credits issued under Section 375.774; life and health insurance guaranty tax credits issued under Section 376.745; health insurance pool tax credits issued under Section 376.975; brownfield redevelopment program tax credits issued under Section 447.708; small business incubator tax credits issued under Section 620.495; Missouri works community college new jobs training and job retention training credits issued under Sections 620.800 to 620.809; Missouri works program credits issued under Sections 620.2000 to 620.2020; and the shared care tax credits issued under Section 660.055.

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FISCAL DESCRIPTION (continued)

Beginning January 1, 2014, the bill converts all domestic and social tax credits into deductions. The amount of the tax deduction will be equal to the tax credit amount that would have been allowed under the tax credit requirements. The domestic and social tax credits include: youth opportunities tax credit issued under Section 135.460 and Sections 620.1100 to 620.1103; shelter for victims of domestic violence issued under Section 135.550; senior citizen or disabled person property tax credit issued under Sections 135.010 to 135.035; special needs adoption tax credit issued under Sections 135.325 to 135.339; champion for children tax credit issued under Section 135.341; maternity home tax credit issued under Section 135.600; surviving spouse tax credit issued under Section 135.090; residential treatment agency tax credit issued under Section 135.1150; pregnancy resource center tax credit issued under Section 135.630; food pantry tax credit issued under Section 135.647; health care access fund tax credit issued under Section 135.575; residential dwelling access tax credit issued under Section 135.562; developmental disability care provider tax credit issued under Section 135.1180; and shared care tax credit issued under Section 660.055.

Beginning January 1, 2014, the bill reduces the top tax rate of the Missouri individual income tax from 6% to 5.85% for tax years 2014 to 2016, and to 5.45% for all tax years thereafter.

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

JH:LR:OD

SOURCES OF INFORMATION

Department of Agriculture
Department of Economic Development
  Division of Business and Community Services
  Division of Workforce Development
Department of Health and Senior Services
Department of Insurance, Financial Institutions and Professional Registration
Department of Natural Resources
Department of Revenue
Department of Social Services
Missouri Development Finance Board
Missouri Housing Development Commission
Office of Administration
  Division of Budget and Planning
University of Missouri
  Economic & Policy Analysis Research Center

Mickey Wilson
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April 7, 2014

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Assistant Director
April 7, 2014

JH:LR:OD