COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6026-01
Bill No.: HB 2027
Subject: Tax Credits; Department of Revenue; Public Buildings; Taxation and Revenue - Income; Capital Improvements
Type: Original
Date: March 21, 2014

Bill Summary: This proposal authorizes a tax credit for donations to a state building and capital improvement fund and establishes a check-off for donations to the fund on income tax returns.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	($326,997 up to $100,326,997	($248,128 up to $100,248,128)	($250,711 up to $100,250,711)
Total Estimated Net Effect on General Revenue Fund	**($326,997 up to $100,326,997)**	**($248,128 up to $100,248,128)**	**($250,711 up to $100,250,711)**

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.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
State Building & Capital Improvement	Up to $83,333,333	Up to $83,333,333	Up to $83,333,333
Total Estimated Net Effect on Other State Funds	**Up to $83,333,333**	**Up to $83,333,333**	**Up to $83,333,333**

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 7 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	6 FTE	6 FTE	6 FTE
Total Estimated Net Effect on FTE	**6 FTE**	**6 FTE**	**6 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

Officials at the **Office of Administration's Division of Budget and Planning** (**BAP**) assume this proposal would not fiscally impact BAP. This proposal creates a tax credit for donations to the newly created State Building and Capital Improvement Fund. The tax credit shall be equal to 120% of any cash donation to this fund. The credit is not refundable, but can be carried forward for three tax years. No more than $100 million shall be issued annually, and no more than $300 million shall be outstanding in any fiscal year. BAP assumes this proposal will reduce General Revenues by $100 million annually, but increase revenues to the new State Building and Capital Improvement Fund by $83.3 million annually.

This proposal creates an income check-off to benefit the newly created State Building and Capital Improvement Fund. Taxpayers may designate a portion of their refund to the fund. Taxpayers may also write a check for donations into the fund. To the extent the check-off is used, this proposal will increase Total State Revenues. BAP notes that $277,235 in designations were made via income tax check-offs in FY 2012.

Oversight will indicate the loss of revenue to the General Revenue fund of the tax credit. Since it is unclear how many taxpayers would participate in the program, Oversight will show the impact as up to the annual cap. Oversight will also reflect the gain to the State Building and Capital Improvement Fund of up to the $83,333,333 that would be generated to reach the tax credit's annual cap.

Oversight assumes that based on the history of Missouri's check off programs that the impact from §143.1023 of the proposal would be less than $100,000 annually.

Officials at the **Department of Revenue** (**DOR)** assume this proposal will require computer programming changes to various tax systems. The IT is estimated to cost $77,969 for 2,856 FTE hours.

DOR's Personal Tax Division will require form and programming changes for the tax credit established in Section 135.1760. Additionally, Personal Tax requires one (1) Revenue Processing Technician I per 6,000 tax credits redeemed, one (1) Revenue Processing Technician 1 for every 4,000 tax credit transfers, and one (1) Revenue Processing Technician 1 for every 520 compliance mailings and correspondence.

DOR's Corporate Tax Division will require form and programming changes for the tax credit established in Section 135.1760. Additionally, Corporate Tax requires one (1) Revenue

ASSUMPTION (continued)

Processing Technician I per 6,000 tax credits redeemed, one (1) Revenue Processing Technician 1 for every 7,800 of additional errors that are generated, and one (1) Revenue Processing Technician 1 for every 2,600 compliance mailings and correspondence. Each of these positions will require CARES equipment and licenses.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state an unknown reduction of premium tax revenues as a result of the creation of the state building capital improvement donation tax credit is possible. 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.

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** and the **Office of State Treasurer** assume 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.

JH:LR:OD

FISCAL IMPACT - State Government	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
Revenue Reduction - tax credit	(Up to $100,000,000)	(Up to $100,000,000)	(Up to $100,000,000)
Cost - Department of Revenue			
Personal Service	($131,920)	($159,887)	($161,486)
Fringe Benefits	($67,286)	($81,550)	($82,366)
Equipment & Expenses	($49,822)	($6,691)	($6,859)
Total Costs - DOR	($249,028)	($248,128)	($250,711)
FTE Change - DOR	6 FTE	6 FTE	6 FTE
Cost - Department of Revenue one time computer programming	($77,969)	$0	$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	**($326,997 up to $100,326,997)**	**($248,128 up to $100,248,128)**	**($250,711 up to $100,250,711)**
Estimated Net FTE Change on General Revenue	6 FTE	6 FTE	6 FTE
STATE BUILDING & CAPITAL IMPROVEMENT FUND			
Additional Revenue - receipt of contributions	Up to $83,333,333	Up to $83,333,333	Up to $83,333,333
Additional Revenue -receipt of check off money	Unknown less than $100,000	Unknown less than $100,000	Unknown less than $100,000
ESTIMATED NET EFFECT ON STATE BUILDING & CAPITAL IMPROVEMENT FUND	**Up to $83,333,333**	**Up to $83,333,333**	**Up to $83,333,333**

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.

JH:LR:OD

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

FISCAL IMPACT - Small Business

Small businesses that receive the tax credit could be positively impacted.

FISCAL DESCRIPTION

Beginning January 1, 2015, this bill authorizes a tax credit equal to 120% of a cash donation of at least $500, up to a maximum donation of $50,000, to the newly created State Building and Capital Improvement Fund. The money in the fund, upon appropriation, must be used solely for the construction, repair, renovation, and rebuilding of state buildings, ports, facilities, infrastructure, utilities infrastructure, and other projects designed by the General Assembly. A minimum balance of $25 million must remain in the fund to cover the costs of repair to government buildings in order to prevent imminent further or future damage. The tax credit is not refundable, but can be carried forward for up to three years. The tax credits cannot be sold or transferred. The credit is capped at $60,000 in any taxable year, per taxpayer. The total amount of tax credits authorized cannot exceed $100 million in any fiscal year, and the total amount of tax credits issued but not redeemed cannot exceed $300 million in any fiscal year.

Beginning January 1, 2014, the bill authorizes a check-off box on the Missouri individual and corporate income tax forms for a contribution to the fund. A taxpayer may donate to the fund by designating a portion of his or her income tax refund to go to the fund. The amount of the donation must be at least $10 on an individual return or at least $20 on a combined return. Any contribution to the fund of $500 or more, up to a maximum contribution of $50,000, must be eligible for the tax credit.

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 Insurance, Financial Institutions and Professional Registration
Department of Revenue
Joint Committee on Administrative Rules
Office of Administration
Division of Budget and Planning
Office of the Secretary of State
Office of State Treasurer

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March 21, 2014

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