COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0316-04
Bill No.: HCS for HB's 663 & 375
Subject: Revenue Dept.; Taxation and Revenue - General and Income
Type: Original
Date: April 11, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
All State Funds	($86,743)	($48,861 to $4,048,861)	($50,087 to $4,050,087)
Total Estimated Net Effect on All State Funds	**($86,743)**	**($48,861 to $4,048,861)**	**($50,087 to $4,050,087)**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	**$0**	**$0**	**$0 TO ($2,000,000)**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Department of Revenue (DOR) officials state this legislation authorizes a tax credit equal to 50% of a taxpayer's contribution to a sexual violence crisis service center, not to exceed $25,000 per taxable year. The tax credit is non-refundable, but can be carried over to the next three succeeding years. In order to receive the credit, the taxpayer's contributions must have a value of $100 or more. The Director of Public Safety will determine annually which facilities in this state qualify as a sexual violence crisis service center. Each sexual violence crisis center is to provide Public Safety with the identity of each taxpayer making a contribution and the amount of the contribution. The credit shall apply to all tax years beginning on or after January 1, 2002, and will expire on January 1, 2007.

DOR states this legislation authorizes a tax credit equal to 50% of a taxpayer's contribution to an unplanned pregnancy resource center, not to exceed $25,000 per taxable year. The tax credit is non-refundable, but can be carried over to the next four succeeding years. In order to receive the credit, the taxpayer's contributions must have a value of $100 or more. The Director of the Department of Social Services will determine annually which facilities in this state qualify as an unplanned pregnancy resource center. Each unplanned pregnancy resource center is to provide Social Services with the identity of each taxpayer making a contribution and the amount of the contribution. Social Services will provide that information to DOR. The credit shall apply to all tax years beginning on or after January 1, 2002, and will expire on January 1, 2007.

The DOR is unable to determine the number of taxpayers who will contribute to a sexual violence crisis service center or an unplanned pregnancy resource center. Therefore, the Department is unable to determine the number of FTE needed to administer the tax credits. Any FTE needed will be requested through the normal budget process based upon the following:

The Division of Taxation, Personal Tax Bureau will need one Tax Processing Technician I for every 10,000 new credits claimed per year (processing) and one Tax Season Temporary for every 75,000 credits claimed per year (key entry). Also, one Tax Processing Technician I will be needed for six months for every 30,000 additional individual income tax errors generated from this legislation and one Tax Processing Tech I for every 3,000 pieces of correspondence generated from this legislation. The Business Tax Bureau will need one Tax Processing Tech I for every 3,680 credit claims received on corporate tax.

This legislation will require modifications to the income and corporate tax systems and credit application system. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of contract labor, at a cost of $46,170. Modifications to the income tax return and schedules will be completed with existing resources.

ASSUMPTION (continued)

State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of $9,007 is requested for implementation costs.

***NOTE: As long as the two credits are similar with the same effective dates the programmers will be able to make the system modifications at the same time. However, if the legislation is changed and the credits are not similar or have different effective dates, the programming costs listed above will double.

Officials of the **Department of Social Services, Division of Budget and Finance (DBF)** assumes DBF staff would be responsible for determining which facilities meet the criteria of subsection 1 and DBF would also establish procedures and perform the task of "equitable allocating credits to qualified resource centers."

The cumulative amount of tax credits allowable in any fiscal year is $2,000,000 for each credit. DBF staff would do an initial allocation of the credits at the beginning of each fiscal year then reevaluate the apportionment of unused credits to ensure maximum use of the credits.

The number of staff required in a function of the number of participating facilities. In phone calls with Missouri Right to Life staff, DBF believes there are between 50 and 100 such facilities that would meet the criteria of subsection 1. Based on an estimated number of 85 facilities, DBF could perform the requirements of the legislation with one new Accounting Analyst I.

The Accounting Analyst I would be responsible for reviewing documents provided by the facilities to determine if they meet the criteria of subsection 1. The analyst would establish procedures to equally allocate credits to eligible unplanned pregnancy resource centers. To reapportion unused credits, the analyst would collect interim tax credit utilization information during the fiscal year and make the calculations necessary to reallocate unused credits. The analyst would collect and compile annual tax credit information and prepare a report for the director to send to DOR. Existing staff would provide supervision of the Accounting Analyst.

In a similar proposal, officials from the **Office of Administration, Division of Budget and Planning (BAP)** assumed the two tax credits each are capped at $2 million annually. There is no empirical basis to estimate the fiscal impact of this proposal. Therefore, BAP estimated the impact to be between $0 and $2 million annually for each credit.

In a similar proposal, officials from the **Office of the Secretary of State (SOS)** assumed this bill establishes a tax credit for money given to unplanned pregnancy resource centers. Although the bill does not specifically address rule making, this bill may lead to DOR or DOS promulgating rules. These rules will be published in both the *Missouri Register* and the *Code of State*

Regulations. Based on experience with other divisions, the rules, regulations and forms issued by DOR or DOS could require as many as 8 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is $23. The estimated cost of a page in the *Code of State Regulations* is $27. The actual cost could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.

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 appropriations process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials of the **Department of Insurance (INS)** state this proposal would grant tax credits against an insurer's premium tax payments (chapter 148 RSMo) for contributions to Unplanned Pregnancy Resource Centers Sexual Violence Crisis Centers. Maximum annual credit per taxpayer is $25,000. Total credits are capped at $2 million annually for each credit.

Tax credits for this legislation would not begin until 2002 tax year which would be paid 3/2003. Legislation could potentially be taken by 1,638 insurance companies. INS estimates the maximum tax credits of $2 million for each tax credit will be taken, resulting in a decrease in premium tax revenue. Premium tax revenue is split 50/50 between GR and County Foreign Insurance Funds. County Foreign Insurance Funds are later distributed to school districts after they have been collected by the state.

This proposal would result in a decrease in Total State Revenues.

FISCAL IMPACT - State Government	FY 2002 (6 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
Cost - Dept. of Revenue			
Reprogramming costs	($56,561)	$0	$0
Cost - Dept. of Social Services			
Personal Service (1 FTE)	($17,533)	($35,957)	($36,856)
Fringe Benefits	($5,844)	($11,984)	($12,284)
Expense and Equipment	($6,805)	($920)	($947)
Total costs to DOS	($30,182)	($48,861)	($50,087)

FISCAL IMPACT - State Government	FY 2002 (6 Mo.)	FY 2003	FY 2004
ALL STATE FUNDS			
Loss to All State Funds			
Tax credits for contributions made to Sexual Violence Crisis Centers*	$0	$0 to ($2,000,000)	$0 to ($2,000,000)
Tax credits for contributions made to Unplanned Pregnancy Resource Centers*	$0	$0 to ($2,000,000)	$0 to ($2,000,000)
ESTIMATED NET EFFECT ON ALL STATE FUNDS	**($86,743)**	**($48,861 to $4,048,861)**	**($50,087 to $4,050,087)**

***The tax credit in this proposal may be used by individuals and corporations, therefore the revenue impact of the tax credits on all state funds has been reflected as $0 to ($2,000,000).**

FISCAL IMPACT - Local Government	FY 2002 (6 Mo.)	FY 2003	FY 2004
SCHOOL DISTRICTS			
Loss - School Districts			
County Foreign Insurance Tax	$0	$0	$0 to ($2,000,000)
ESTIMATED NET EFFECT ON LOCAL SCHOOL DISTRICTS	**$0**	**$0**	**$0 to ($2,000,000)**

FISCAL IMPACT - Small Business

Certain small businesses may receive tax credits or benefit from the donations encouraged by the tax credits.

DESCRIPTION

This proposal would allow a tax credit for persons contributing to unplanned pregnancy resource centers or sexual violent crisis centers. Section 135.630, RSMo, defines "unplanned pregnancy resource center" as one that provides predominantly free assistance in the event of an unplanned pregnancy but does not perform childbirths or abortions and is tax exempt. Sexual violence crisis service centers are nonprofit organizations which provide services to sexual violence victims, their significant others, secondary victims, and the community relating to rape, sexual assault, and sexual abuse.

If a taxpayer would contribute at least $100, then he or she may take a tax credit of up to fifty percent of the amount contributed to a resource or crisis center. The credit may not exceed $25,000 in a year and any amount exceeding the taxpayer's state tax liability may be carried over for four years. Each year, the director of the Department of Social Services would determine which facilities are unplanned pregnancy resource centers and may request information in order to determine this status. The cumulative amount of tax credits claimed due to contributions may not exceed two million dollars in any fiscal year for each credit. The director of Department of Social Services would have the authority to reallocate tax credits among unplanned pregnancy resource centers. While the Department of Public Safety would certify the sexual violence crisis service centers and the tax credits and to apportion the credits when the applications for the credits exceed the statewide cap. Each resource center would provide to the Department of Revenue the identity of each taxpayer who has contributed to the center and the amount of the contribution. This proposal would apply to all taxable years beginning after December 31, 2001 and expire on January 1, 2007.

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 Revenue
Department of Social Services
    Division of Budget and Finance
Office of Administration
    Division of Budget and Planning
Office of Secretary of State
Department of Insurance

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Director
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