

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0762-01  
Bill No.: HB 545  
Subject: Banks and Financial Institutions; Charities; Children and Minors; Revenue Dept.;  
 Taxation and Revenue-General  
Type: Original  
Date: February 26, 2001

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$170,196 to Unknown)	(\$30,953 to Unknown)	(\$30,109 to Unknown)
<b>Total Estimated Net Effect on <u>All</u> State Funds*</b>	<b>(\$170,196 to UNKNOWN)</b>	<b>(\$30,953 to UNKNOWN)</b>	<b>(\$30,109 to UNKNOWN)</b>

\*Expected to exceed \$100,000 annually.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
<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 LOCAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

## FISCAL ANALYSIS

### ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation creates the Missouri Community Foundation and authorizes a tax credit equal to 10% of a donation made to the foundation, not to exceed \$50,000. The tax credit is nonrefundable and nontransferable, but can be carried over to the next four succeeding tax years. Anyone receiving the credit will not be allowed to take a deduction for the same donation.

The Department is unable to determine the number of taxpayers who will donate to the foundation and be eligible for the tax credit. Therefore, the administrative impact is unknown at this time. As written, the Department will need one Tax Season Temporary Employee for every 5,000 credit claims received in the Personal Tax Bureau and one Tax Processing Technician for every 3,680 credit claims received in the Business Tax Bureau. One Tax Processing Technician will be needed for every 32,500 additional errors generated and one Tax Processing Technician for every 3,000 additional pieces of correspondence received regarding this credit. If the wording is changed and DED certifies this credit to the Department then the administrative impact would be decreased to one Tax Season Temp for every 75,000 credit claims filed, instead of every 5,000 credit claims filed.

This legislation will require modifications, including edits to the individual income tax systems. 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 returns and schedules will be completed with existing resources. State Data Center implementation costs will be \$9,007.

Officials from the **Department of Economic Development (DED)** assume this bill will require DED to provide staff and support services to the Missouri Community Foundation Committee which is to be comprised of 9 members. The Committee is charged with forming the Missouri Community Foundation (MCF). The Committee must develop and file the articles of incorporation for MCF with the Secretary of State. The Committee will hold a minimum of 4 committee meetings within FY 2002 and cease to exist at the end of the fiscal year. DED is required to provide assistance to the Committee with holding meetings, maintenance of records, and other committee business, through June 2002.

DED stated that the Neighborhood Assistance Program, Youth Opportunities and some other agencies' tax credit programs serve similar purposes although with different mechanisms.

There would be a certain amount of credits issued by DOR that would decrease total state revenue. There is not a cap on this program and credits are issued at 10% of the donation amount. As DED does not administer the tax credit, DED did not include those potential costs in this note.

ASSUMPTION (continued)

DED assumes one Clerk Typist II and one Economic Development Incentive Specialist II will be needed for the period of August 28, 2001 through June 30, 2002 to assist the Committee. DED also assumes that .5 of an Economic Development Incentive Specialist II will be needed to act as a liaison with the MCF on an ongoing basis after the committee is dissolved.

DED assumes there will be legal costs incurred by the Committee to get the MCF incorporated. These costs are estimated at \$200 per hour for 100 hours work. In addition, there will have to be costs appropriated to cover expenses of the Committee meetings and associated expenses, including travel costs for the committee. Meeting expenses (room and associated costs (\$250 x 4), Misc. expenses (\$150 x 4), Travel (9 members x \$200 x 4 meetings)

DED assumes the tax credit will be issued by the DOR with no involvement by DED. DED assumes the cost associated with the Foundation's operation and hiring of a funds administrator will be borne by the MCF and that none of these costs will be paid by DED.

Officials of the **Secretary of State (SOS)** state this bill creates the Missouri Community Foundation Committee to assist individuals, businesses and organizations with their philanthropic goals. DOR shall promulgate rules to implement this bill. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Revenue could require as many as approximately 16 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as 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 \$23.00. The estimated cost of a page in the Code of State Regulations is \$27.00. Costs for this proposal would be \$984.00 for FY 2002. The actual costs 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 appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the Offices of the **State Treasurer (STO)**, **Missouri Senate (SEN)**, and **Missouri House of Representatives (MHR)** assume this proposal would have no fiscal impact on their agencies.

Officials of the **Office of Administration (COA)**, **Budget and Planning (BAP)** state DED is better suited to respond to this proposal.

ASSUMPTION (continued)

Officials from the **Governor's office (GOV)** did not respond to our fiscal note request.

**Oversight**, for purposes of this fiscal note, has assumed the tax credit would have an unknown impact, expected to exceed \$100,000 annually, since the number of potential donors is unknown.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
<b>GENERAL REVENUE FUND</b>			
<u>Loss</u> - General Revenue Fund			
Tax credit for qualified donations to the Missouri Community Foundation	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - Department of Revenue			
Reprogramming costs	(\$55,177)	\$0	\$0
<u>Cost</u> - Dept. of Economic Development			
Personnel	(\$49,508)	(\$19,693)	(\$20,185)
Fringe Benefits	(\$16,501)	(\$6,564)	(\$6,728)
Equipment and Expenses	<u>(\$49,010)</u>	<u>(\$4,696)</u>	<u>(\$3,196)</u>
Total Cost - DED	<u>(\$115,019)</u>	<u>(\$30,953)</u>	<u>(\$30,109)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*</b>	<b><u>(\$170,196 to Unknown)</u></b>	<b><u>(\$30,953 to Unknown)</u></b>	<b><u>(\$30,109 to Unknown)</u></b>

\*Expected to exceed \$100,000 annually.

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill creates the Missouri Community Foundation Committee with the sole purpose of creating and incorporating the Missouri Community Foundation. The objective of the foundation is to assist individuals, businesses and organizations with their philanthropic goals. The foundation's duties will include: creating a permanent endowment fund to be funded through charitable donations, administering and investing funds, serving as a resource center for nonprofit organizations, and promoting the giving of funds by citizens.

The bill details the membership of the committee and the frequency of meetings and allows the committee to be staffed by the Department of Economic Development. The bill also authorizes a state income tax credit for donations to a foundation equal to 10% of the value of the donation beginning with tax year 2002. The minimum donation is set at \$100.

This legislation is not federally mandated and would not require additional capital improvements or rental space.

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

SOURCES OF INFORMATION

Department of Revenue  
Department of Economic Development  
Office of Secretary of State  
Office of the State Treasurer  
Office of Administration  
    Budget and Planning  
Missouri Senate  
Missouri House of Representatives

NOT RESPONDING: Office of the Governor



Jeanne Jarrett, CPA  
Director  
February 26, 2001