

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1174-03  
Bill No.: SB 497  
Subject: Tax Credits; Taxation and Revenue - Income; Education, Elementary and Secondary; Revenue Department; Kansas City; St. Louis; Education, Proprietary.  
Type: Original  
Date: April 14, 2003

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	(\$188,216 to \$10,188,216)	(\$153,854 to \$10,153,854)	(\$157,737 to \$10,157,737)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$188,216 to \$10,188,216)</b>	<b>(\$153,854 to \$10,153,854)</b>	<b>(\$157,737 to \$10,157,737)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Missouri Pubic School Improvement *	\$0	\$0	\$0
Schools of Choice Resource Center *	\$0	\$0	\$0
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Possible contributions to and disbursements from the funds net to a zero fiscal impact.

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
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>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Local Government</b>	<b>\$0 to \$5,000,000</b>	<b>\$0 to \$5,000,000</b>	<b>\$0 to \$5,000,000</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Department of Elementary and Secondary Education (DESE)** state this proposal would create the "Show Me Parental Choice Tax Credit Program" which would allow a taxpayer, making an eligible contribution, a credit against state tax liability. The cumulative amount of tax credits which may be granted each fiscal year for contributions to eligible nonprofit scholarship funding organizations shall not exceed \$5 million. The cumulative amount of tax credits which may be granted each fiscal year for contributions to the Missouri public school improvement fund shall not exceed \$5 million.

DESE states the newly created "Missouri Public School Improvement Fund" and the "Schools of Choice Resource Center Fund" will likely receive contributions as a result of the tax credit offered in the proposal. DESE assumes a loss of tax revenue of \$10 million per year starting in FY 2004.

DESE would require 1.0 FTE supervisor (at \$47,616 annually) to administer the "Missouri Public School Improvement Fund" and 1.0 FTE supervisor (also at \$47,616 annually) to administer to "Schools of Choice Resource Center Fund."

ASSUMPTION (continued)

DESE assumes the total cost to their agency to administer the program, including the two required FTE plus fringe benefits and other expense and equipment would be roughly \$150,000 per year.

**Oversight** assumes DESE's administrative responsibilities regarding the tax credit for contributions to eligible nonprofit scholarship funding organizations as well as the Schools of Choice Resource Centers would be minimal. Therefore, Oversight has reduce DESE's fiscal impact to a single FTE to administer the tax credit regarding contributions to the Missouri Public School Improvement Fund and the Schools of Choice Resource Center.

Officials from the **Department of Revenue (DOR)** state this legislation creates the "Show-Me Parental Choice Tax Credit Program" and provides a tax credit for eligible contributions to the Missouri public school improvement fund and the schools of choice resource center fund. The credit cannot exceed \$5 million each fiscal year and the credit is not refundable, but can be carried over. The tax credit shall be awarded on a first come first served bases and the taxpayers will apply to the department who will approve or deny the request. DESE is to work with DOR on the administration of this section. DOR is responsible for listing annually all eligible nonprofit scholarship funding organizations.

DOR assumes that with their agency administering the entire credit, Personal Tax will need one Tax Processing Tech IV to handle the review and one Tax Processing Tech I for every 100 credit claims received. If "taxpayer" applies to corporations, Business Tax will need one Tax Processing Tech I for every 3,680 credit claims received.

MINITS, Credits, COINS and Speedup will need to be modified. It is estimated that 1,384 hours of programming will be needed at a cost of \$46,170. There will be postage costs associated with the legislation but the impact is unknown.

Customer Assistance will have additional telephone calls and walk-ins on the credit; One Tax Collection Tech I for every 24,000 additional calls to the income tax hotline regarding this credit. A Taxpayer Services Representative will be needed for every 2,149 walk ins.

DOR assumes total costs to administer this program to be \$233,903 in the first year and then roughly \$190,000 per year thereafter.

**Oversight** assumes DOR would be able to administer their responsibilities in the bill with two FTE, the

ASSUMPTION (continued)

Tax Processing Tech IV (at \$30,324 annually) and the Tax Processing Tech I (at \$21,192) annually.

Oversight also assumes DOR would incur the estimated programming expenses. Oversight also assumes DOR could request the other additional FTE reflected in DOR's response through normal budgetary processes if the volume of tax credits warrants.

Officials from the **Office of the State Treasurer** states they are unable to determine the fiscal impact this proposal may have on their agency due to the language in Section 167.423.

Officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Department of Revenue and the Department of Elementary and Secondary Education's authority to promulgate rules, regulations, and forms. SOS estimates the departments could require approximately 8 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 12 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal are estimated to be \$492, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal, however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

**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 **Office of Administration** did not respond to our request for fiscal impact.

**Oversight** has ranged the fiscal impact for each of the tax credits from \$0 (no taxpayers utilizing the tax credit program) to (\$5,000,000). The amount of funding that can be donated to the Missouri Public School Improvement Fund and the Schools of Choice Resource Center and receive a tax credit is limited to a combined total of \$5 million.

**Oversight** assumes all of the moneys contributed to the new funds established in the proposal would be distributed by DESE in the same fiscal year, resulting in a zero net impact to these funds each fiscal year.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
<b>GENERAL REVENUE</b>			
<u>Costs - Department of Revenue</u>			
Personal Service (2 FTE)	(\$44,004)	(\$54,124)	(\$55,477)
Fringe Benefits	(\$17,808)	(\$21,904)	(\$22,452)
Expense and Equipment	(\$14,051)	(\$1,038)	(\$1,069)
Programming expenses	<u>(\$46,170)</u>	<u>\$0</u>	<u>\$0</u>
Total Costs - DESE	(\$122,033)	(\$77,066)	(\$78,998)
 <u>Costs - Department of Elementary and Secondary Education (DESE)</u>			
Personal Service (1 FTE)	(\$40,672)	(\$50,027)	(\$51,277)
Fringe Benefits	(\$16,460)	(\$20,246)	(\$20,752)
Expense and Equipment	<u>(\$9,051)</u>	<u>(\$6,515)</u>	<u>(\$6,710)</u>
Total Costs - DESE	(\$66,183)	(\$76,788)	(\$78,739)
 <u>Loss - Tax credit for contributions to eligible nonprofit scholarship funding organizations *</u>			
	\$0 to <u>(\$5,000,000)</u>	\$0 to <u>(\$5,000,000)</u>	\$0 to <u>(\$5,000,000)</u>
 <u>Loss - Tax credit for contributions to the Missouri Public School Improvement Fund or the Schools of Choice Resource Center Fund</u>			
	\$0 to <u>(\$5,000,000)</u>	\$0 to <u>(\$5,000,000)</u>	\$0 to <u>(\$5,000,000)</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b>(\$188,216 TO <u>\$10,188,216</u>)</b>	<b>(\$153,854 TO <u>\$10,153,854</u>)</b>	<b>(\$157,737 TO <u>\$10,157,737</u>)</b>

\* At least 90% of the contributions to eligible nonprofit scholarship funding organizations must be used in the same fiscal year to provide scholarships to children to attend eligible public and nonpublic schools.

**MISSOURI PUBLIC SCHOOL  
 IMPROVEMENT FUND**

<u>Income</u> - Qualified contributions from taxpayers attempting to get tax credit *	\$0 to \$5,000,000	\$0 to \$5,000,000	\$0 to \$5,000,000
---	-----------------------	-----------------------	-----------------------

<u>Expenses</u> - disbursements by DESE to public schools located in Kansas City or St. Louis	\$0 to <u>(\$5,000,000)</u>	\$0 to <u>(\$5,000,000)</u>	\$0 to <u>(\$5,000,000)</u>
---	--------------------------------	--------------------------------	--------------------------------

**ESTIMATED NET EFFECT TO THE  
 MISSOURI PUBLIC SCHOOL  
 IMPROVEMENT FUND**

<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
-------------------	-------------------	-------------------

**SCHOOLS OF CHOICE RESOURCE  
 CENTER FUND**

<u>Income</u> - Qualified contributions from taxpayers attempting to get tax credit *	\$0 to \$5,000,000	\$0 to \$5,000,000	\$0 to \$5,000,000
---	-----------------------	-----------------------	-----------------------

<u>Expense</u> - disbursements to nonprofit organizations for staffing schools of choice resource centers in St. Louis or Kansas City	(\$0 to <u>\$5,000,000)</u>	(\$0 to <u>\$5,000,000)</u>	(\$0 to <u>\$5,000,000)</u>
---	--------------------------------	--------------------------------	--------------------------------

**ESTIMATED NET EFFECT TO THE  
 SCHOOLS OF CHOICE RESOURCE  
 CENTER FUND**

<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
-------------------	-------------------	-------------------

\* The combined total of contributions to the Missouri Public School Improvement Fund and the Schools of Choice Resource Center Fund eligible to receive a tax credit is \$5 million.

FISCAL IMPACT - Local Government

FY 2004  
(10 Mo.)

FY 2005

FY 2006

**KANSAS CITY AND ST. LOUIS  
SCHOOL DISTRICTS**

Income - disbursements from the state's  
Missouri Public School Improvement  
Fund

**\$0 to**  
**\$5,000,000**

**\$0 to**  
**\$5,000,000**

**\$0 to**  
**\$5,000,000**

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal creates the "Show Me Parental Choice Tax Credit Program," which will allow a tax credit against state tax liability for monetary contributions to Missouri non-profit corporations that provide scholarships to Kansas City or St. Louis students who qualify for the Federal Free & Reduced Price Lunch program. Such scholarships may be utilized for:

- (1) Tuition or textbook expenses for, or transportation to, an eligible nonpublic school (i.e. private, religious, nonreligious, home or contract schools);
- (2) Transportation expenses to a Missouri public school that is located outside the district in which the student resides;
- (3) Tutorial scholarships for students who are enrolled in eligible public schools for tutorial assistance from a provider approved by the scholarship organization.

Further, this proposal creates, and allows a tax credit against state tax liability for monetary contributions to, the "Missouri Public School Improvement Fund", which shall be used for the payment of school improvement grants to public schools located in the St. Louis or Kansas City school district for educational program enhancements.

DESCRIPTION (continued)

Also, this proposal creates, and allows a tax credit against state tax liability for monetary contributions to, the "Schools of Choice Resource Center Fund", which shall be distributed by the Department of Elementary and Secondary Education to one or more nonprofit organizations, selected by the commissioner, for the purpose of coordinating, staffing, and administering "Schools of Choice Resource Centers" in the Kansas City and St. Louis school districts in order to assist parents in learning how to be better education consumers, to provide information on education alternatives in the area, and to assist parents, schools, and school boards in implementing and responding to this program.

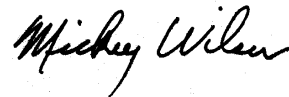
The cumulative amount of tax credits which may be granted each fiscal year for contributions to eligible nonprofit scholarship funding organizations shall not exceed five million dollars. Further, the cumulative amount of tax credits which may be granted each fiscal year for eligible contributions to the Missouri public school improvement fund and the schools of choice resource center fund shall not exceed five million dollars.

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 Elementary and Secondary Education  
Office of the Secretary of State  
Office of the State Treasurer

**NOT RESPONDING:            Office of Administration - Budget and Planning**



MICKEY WILSON, CPA  
DIRECTOR  
APRIL 14, 2003