

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0773S.01T
Bill No.: Truly Agreed To and Finally Passed SB 36
Subject: Tax Credits; Historic Preservation; Economic Development, Department of
Type: Original
Date: June 24, 2021

Bill Summary: This proposal would establish the Capitol Complex Tax Credit Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	Up to (\$10,000,000)	Up to (\$10,000,000)	Up to (\$10,000,000)
Total Estimated Net Effect on General Revenue	Up to (\$10,000,000)	Up to (\$10,000,000)	Up to (\$10,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Capitol Complex Fund	Up to \$20,000,000	Up to \$20,000,000	Up to \$20,000,000
Total Estimated Net Effect on <u>Other</u> State Funds	Up to \$20,000,000	Up to \$20,000,000	Up to \$20,000,000

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Capitol Complex Fund – DED	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
Total Estimated Net Effect on FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 620.3210 – Capitol Complex Tax Credit Act

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this proposed legislation creates a tax credit for individuals or entities that make eligible monetary or artifact donations to the Capitol Complex Fund, beginning January 1, 2021.

Taxpayers may claim a tax credit for an amount up to 50% of their eligible monetary donation or for an amount up to 30% of their eligible artifact donation. The credit for monetary donations is refundable or can be carried forward to any of the four (4) subsequent taxable years. The credit for eligible artifact donations has a four (4) year carry-forward provision.

Issuances of these tax credits are capped at \$10,000,000 annually. These tax credits may offset Tax Year 2021 tax liabilities; therefore, reducing General Revenue (GR) and Total State Revenue (TSR) by an amount up to \$10,000,000 annually beginning in Fiscal Year 2022.

This proposed legislation creates the Capitol Complex Fund that will be used for maintenance, renovations, and rehabilitation of the Capitol Complex, administered by the Missouri Development Finance Board. Revenues for this fund will consist of monetary donations. Since this fund will be a Missouri Development Finance Board Fund outside of the State Treasury, it will have no impact on TSR.

Officials from the **Missouri Department of Economic Development (DED)** previously responded to this proposed legislation stating this section creates the Capitol Complex Tax Credit Act. A donor gets a tax credit equal to fifty percent (50%) for monetary donations and thirty percent (30%) for artifact donations. This proposed legislation places a cap of \$10 million on tax credit authorizations per year.

DED anticipates the need to hire one (1) FTE Senior Economic Development Incentive Specialist to administer the tax credit program created.

Oversight assumes DED can absorb the additional duties and responsibilities of the tax credit program created without adding additional FTE; however, due to the uncertainty of how many tax credits will be issued under this proposed legislation, Oversight will range DED's cost from \$0 (FTE can be absorbed) to the estimate(s) provided by DED for one (1) Economic Development Incentive Specialist III (FTE is not absorbed) to the Capitol Complex Fund. Oversight notes this proposed legislation allows administrative costs to be paid out of the Capitol Complex Fund. Therefore, Oversight assumes GR would not be impacted by adding DED's FTE.

Officials from the **Missouri Department of Revenue (DOR)** state this proposed legislation creates the Capitol Complex Tax Credit Act. For all taxable years beginning on or after January 1, 2021, the act authorizes a tax credit against the taxes otherwise due under Chapter 143 and 148, except for Sections 143.191 to 143.265, for all monetary and artifact donations.

The tax credit for monetary donations shall not exceed fifty percent (50%) of the eligible donation, is refundable, and may be carried forward up to four (4) taxable years.

The tax credit for artifact donations shall not exceed thirty percent (30%) of the eligible donation, is **not** refundable, but may be carried forward up to four (4) taxable years. No more than \$10 million dollars in tax credits shall be authorized in any given calendar year.

This proposed legislation establishes the Capitol Complex Fund which is authorized to receive any eligible monetary donation as provided in the section. The Capitol Complex Fund shall be separated into two accounts: a rehabilitation and renovation account and a maintenance account. The distribution of the funds shall be 90% to the rehabilitation and renovation account and 7.5% to the maintenance account. The remaining 2.5% may be used for soliciting donations to the fund, advertising and promoting the fund, and administrative costs of the fund.

DOR estimates this proposed legislation will cause a negative impact to GR by an amount up to \$10 million annually starting in Fiscal Year 2022.

DOR states there are two credits mentioned in the proposed legislation. Since one is refundable and one is not, it would appear that these would have to be treated as two credits on the Missouri tax return.

DOR anticipates the need for one (1) FTE Associate Customer Service Representative (\$24,360 annual salary/FTE) for every 6,000 tax credits redeemed, one (1) FTE Associate Customer Service Representative for every 4,000 tax credit transfers with CISCO phones and licenses, and one (1) FTE Associate Customer Service Representative for every 7,600 errors/correspondence generated.

Oversight notes, in response to similar legislation ([SB 586 – 2020](#)), DOR stated the proposed legislation would result in an unknown increase in tax credit redemptions and errors/correspondence generated. DOR stated that if the increase in the number of tax credit redemptions and/or errors/correspondence is significant, DOR will request FTE through the appropriation process.

For purposes of this fiscal note, **Oversight** assumes DOR can absorb the responsibilities of the tax credit(s) created and will not report a fiscal impact for additional FTE to DOR.

Officials from the **Office of Administration (OA)** state this proposed legislation would create the Capitol Complex Fund to be used for maintenance, renovation, and rehabilitation of the Capitol Complex. The proposed legislation provides that the Commissioner of Administration would determine what projects are performed with the money from the fund and how projects will be carried out.

The Office of Administration – Facilities Management, Design & Construction (OA-FMDC) assume this proposed legislation could result in OA-FMDC being responsible for additional projects to the Capitol Complex. Without information about the amount of donations that would be received and the nature of the projects that would be performed with money from the Capitol Complex Fund, OA-FMDC is unable to know the exact impact of this proposed legislation.

An increase in the number of projects as a result of this proposed legislation would result in an increased workload for OA-FMDC staff and could require additional FTE, depending upon the size and number of projects. If the projects are small, OA-FMDC assumes the work could be absorbed with existing staff. If, however, there is one or more large projects (in excess of \$35 million) or numerous projects, additional FTE could be required. OA-FMDC assumes the Capitol Complex Fund would not generate enough revenue in the first few years to require more than one new FTE.

OA-FMDC estimates this proposed legislation would create an impact equal to \$74,020 beginning in Fiscal Year 2023 (salary, fringe benefits, and equipment and expense for Senior Accounts Assistant).

Oversight notes OA and OA-FMDC have stated the exact impact of this proposed legislation is unknown while providing an estimated impact of \$74,020 (Senior Accounts Assistant) beginning in Fiscal Year 2023. Oversight assumes since OA would be responsible for determining what projects are performed with the money in the Capitol Complex Fund, and how the projects are to be carried out, OA would know what projects could or could not be carried out with existing resources and what projects would warrant additional FTE. Therefore, for purposes of this fiscal note, Oversight assumes OA can absorb the responsibilities of the Capitol Complex Tax Credit Act with existing resources. Should OA recognize the need for additional FTE in future years when evaluating what projects are to be performed, OA may seek additional FTE through the appropriation process.

Officials from the **Missouri Department of Commerce and Insurance (DCI)** state this proposed legislation could result in a potential unknown decrease of Premium Tax revenues (up to the tax credit limit established in the legislation) as a result of the creation of the Capitol Complex Tax Credit. 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 Stock 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 and which insurers will qualify for the tax credit proposed.

DCI will require minimal contracted 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, DCI may request for expense and equipment appropriation.

Oversight notes DCI assumes the responsibilities of the tax credit created under this proposed legislation can be absorbed with existing resources. However, if multiple pieces of legislation pass which warrant additional expense and equipment, DCI may request additional resources through the appropriation process.

Oversight notes this proposed legislation establishes the Capitol Complex Tax Credit Act for which qualified donors (a person, firm, corporation, shareholder in a S corporation, insurance company, financial institutions) of eligible monetary items and eligible artifact items could qualify for a tax credit to offset tax(es) due under Chapters 143 and 148, other than Withholding Tax authorized under Section(s) 143.191 to 143.265.

The tax credit program authorized would begin January 1, 2021. Qualified donors who make eligible monetary donations could qualify for a tax credit up to fifty percent (50%) of the amount donated while qualified donors who make eligible artifact donations could qualify for a tax credit up to thirty percent (30%) of the value of the artifact which would be determined by the Board of Public Buildings.

Oversight notes the Board of Public Building consists of the Governor, the Attorney General and the Lieutenant Governor.

Tax credits authorized for eligible monetary donations could be refunded or carried forward to four (4) subsequent tax periods. Tax credits authorized for eligible artifact donations are limited to the recipient's state tax liability and may **not** be refunded but may be carried forward to four (4) subsequent tax periods.

Oversight notes that no more than \$10 million in tax credits can be authorized in any one calendar year and the tax credits would be issued on a first-come, first-served basis.

Oversight estimates GR and TSR could be reduced by an amount up to \$10,000,000 (tax credit cap) annually as a result of the tax credit created under this proposed legislation.

Oversight notes the eligible monetary amounts donated by qualified donors would be deposited into the Capitol Complex Fund.

Oversight assumes the maximum amount that would be deposited into the Capitol Complex Fund each year totals \$20 million (\$10 million cap / 50% tax credit).

Oversight notes the estimated deposits into the Capitol Complex Fund equal to \$20 million is **dependent** on monetary donations and the estimated deposits to the Capitol Complex Fund could be **reduced** by each eligible artifact donation, as contributions of artifact donations do not warrant a deposit into the Capitol Complex Fund but would still qualify for a tax credit, reducing the shared amount available within the \$10 million tax credit cap.

This proposed legislation provides that the Capitol Complex Fund shall be segregated into two separate accounts; a Rehabilitation and Renovation Account and a Maintenance Account.

Oversight notes the proposed legislation states ninety percent (90%) of the revenues received from eligible monetary donations shall be deposited into the Rehabilitation and Renovation Account and seven and one-half percent (7.5%) shall be deposited into the Maintenance Account. The remaining two and one-half percent (2.5%) may be used for the purposes of soliciting donations to the fund, advertising and promoting the fund, and administrative costs for administering the fund.

Oversight estimates the following allocation of Capitol Complex Fund revenues generated by eligible monetary donations:

Capitol Complex Fund		Rehab. And Renovation Account (90%)	Maintenance Account (7.5%)	Soliciting/Advertising/Promo/Admin. Costs (2.5%)
Section 620.3210	\$20,000,000	\$18,000,000	\$1,500,000	\$500,000
Total (DED FTE Not Included)	\$20,000,000	\$18,000,000	\$1,500,000	\$500,000
Less DED Admin. Cost	(\$84,157) credited from Soliciting/Advertising/Promo/Admin. Costs Account			
Total (DED FTE Included)	\$19,915,843	\$18,000,000	\$1,500,000	\$415,843

Oversight notes, since the Capitol Complex Fund would be a fund within the Missouri Development Finance Board, outside of the State Treasurer's Office, there will be no impact to General Revenue (GR) or Total State Revenue (TSR) as a result of the qualified donations.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. 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 SOS for administrative rules is less than \$5,000. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, 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 SOS can sustain with SOS's core budget. Therefore, 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 proposed legislation. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process.

Officials from the **Joint Committee on Administrative Rules (JCAR)** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules from this proposed legislation with existing resources.

Officials from the **Governor's Office**, the **Missouri State Treasurer's Office**, the **Missouri Department of Transportation**, and the **Attorney General's Office** do not anticipate this proposed legislation will cause a fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact in this fiscal note for these organizations.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Revenue Reduction – Section 620.3210 – Tax Credit For Eligible Monetary Donations To The Capitol Complex Fund and Eligible Artifact Donations To The Board Of Public Buildings</u>	<u>Up to (\$10,000,000)</u>	<u>Up to (\$10,000,000)</u>	<u>Up to (\$10,000,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>Up to (\$10,000,000)</u>	<u>Up to (\$10,000,000)</u>	<u>Up to (\$10,000,000)</u>

CAPITOL COMPLEX FUND			
<u>Revenue Gain</u> – Section 620.3210 – Total Value Of Monetary Donations Made By Taxpayers For 50% Tax Credit	Up to \$20,000,000	Up to \$20,000,000	Up to \$20,000,000
<u>Expense</u> – Section 620.3210 – Funds Transferred Out Of Capitol Complex Fund For Restoration And Maintenance Of The Buildings Of The Capitol Complex	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> – DED – Section 620.3210 – Administration Of Tax Credit Program			
Personnel Services	\$0 to (\$43,173)	\$0 to (\$52,326)	\$0 to (\$52,849)
Fringe Benefits	\$0 to (\$23,938)	\$0 to (\$28,897)	\$0 to (\$29,071)
Equipment & Expense	\$0 to (\$11,215)	\$0 to (\$2,934)	\$0 to (\$2,998)
Total Cost	\$0 to (\$78,326)	\$0 to (\$84,157)	\$0 to (\$84,918)
FTE Change – DED	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
ESTIMATED NET EFFECT ON CAPITOL COMPLEX FUND	<u>Up to \$20,000,000</u>	<u>Up to \$20,000,000</u>	<u>Up to \$20,000,000</u>

<u>FISCAL IMPACT</u> – Local Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

This proposed legislation could positively impact any small business that provides a monetary contribution to the Capitol Complex Fund or an artifact contribution to the Board of Public Buildings as such contribution would qualify the small business to receive a tax credit which would reduce or eliminate such small business's tax liability.

FISCAL DESCRIPTION

This act creates the Capitol Complex Tax Credit Act.

The Capitol Complex Fund is authorized to receive any eligible monetary donation, as defined in the act, and shall be segregated into two accounts: a rehabilitation and renovation account, and a maintenance account. Ninety percent of the revenues deposited into the fund shall be placed in the rehabilitation and renovation account and seven and one-half percent of revenues deposited in the fund shall be placed in the maintenance account. The remaining two and one-half percent of the funds may be used for the purposes of fundraising, advertising, and administrative costs.

The choice of projects for which money is to be used, as well as the determination of the methods of carrying out the project and the procurement of goods and services, shall be made by the Commissioner of Administration. No moneys shall be released from the fund for any expense without the approval of the Commissioner of Administration.

For all taxable years beginning on or after January 1, 2021, any qualified donor, as defined in the act, shall be allowed a credit against any state income tax (except employer withheld taxes) or state taxes imposed on financial institutions for an amount equal to fifty percent of the monetary donation amount. Any amount of tax credit that exceeds the qualified donor's state income tax liability may be refunded or carried forward for the following four years.

For all taxable years beginning on or after January 1, 2021, a qualified donor shall be allowed a credit against any state income tax (except employer withheld taxes) or state taxes imposed on financial institutions for an amount equal to thirty percent of the value of the eligible artifact donation, as defined in the act. Any amount of tax credit that exceeds the donor's tax liability shall not be refunded for artifacts, but the credit may be carried forward for four subsequent years.

The Department of Economic Development shall not issue tax credits for donations to the Capitol Complex Fund in excess of \$10 million per year in the aggregate. Donations received in excess of the cap shall be placed in line for tax credits the following year. Alternatively, a donor may donate without receiving the credit or may request that their donation is returned.

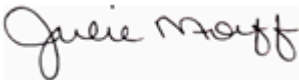
Tax credits issued for donations under this act are not subject to any fee. Tax credits issued under this act may be assigned, transferred, sold, or otherwise conveyed.

This act shall sunset August 28, 2027, unless reauthorized by the General Assembly.

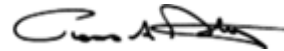
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Attorney General's Office
Office of Administration – Budget & Planning Division
Missouri Department of Commerce and Insurance
Missouri Department of Revenue
Missouri Department of Transportation
Office of Administration
Secretary of State
Missouri Department of Economic Development
Governor's Office
Missouri State Treasurer's Office
Joint Committee on Administrative Rules



Julie Morff
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June 24, 2021



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