

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3381H.01I
Bill No.: HB 1631
Subject: Tax Credits; Taxation and Revenue - Income; Taxation and Revenue - General;
Children and Minors; Department of Revenue
Type: Original
Date: January 30, 2024

Bill Summary: This proposal authorizes a tax credit for a stillbirth.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue Fund*	\$0	(\$597,873)	(\$577,116)
Total Estimated Net Effect on General Revenue	\$0	(\$597,873)	(\$577,116)

*Oversight notes the total impact includes the DOR's utilization of 1 FTE (\$38,880 recurring annually), and a tax credit total of \$510,000 annually.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue Fund - DOR	0 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	0 FTE	1 FTE	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 2025	FY 2026	FY 2027
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

RSMo, 135.342 – Stillbirth Tax Credit

Officials from the **Office of Administration - Budget & Planning (B&P)** notes this proposal creates a tax credit beginning tax year 2025 for any birth for which a certificate of birth resulting in stillbirth has been issued. B&P notes that while this credit would be available for tax year 2025, it will not begin impacting revenues until FY26 when annual tax returns are filed. This credit is non-refundable, non-transferable, and can only be redeemed within the tax year in which the stillbirth occurred. For each stillbirth, the credit amount is \$1,200. There is no cap on the number of tax credits that can be redeemed, however based on information published by DHSS, the five-year average number of fetal deaths (stillbirths) in Missouri from 2017-2021 was 419. Therefore, B&P estimates that this proposal may reduce TSR and GR by \$503,040 annually beginning FY26.

B&P notes that Section 143.161 also grants a deduction for stillbirths. B&P further notes that the deduction amount is tied to federal law and is currently set at \$0 due to changes made by the Tax Cut and Jobs Act (2018). However, those provisions are set to expire after tax year 2025. There is nothing under this proposal or existing law that would prevent taxpayers from claiming both the existing stillbirth deduction and this proposed stillbirth tax credit.

Officials from the **Department of Revenue (DOR)** assume:

Starting January 1, 2025, this would allow a taxpayer who has experienced a stillbirth in the tax year, to receive a tax credit equal to \$1,200 per stillbirth. This credit is not refundable and does not have a cap on the number of taxpayers that can claim this credit in a year. This tax credit will automatically sunset on December 31, 2031.

Information from the Department of Health and Senior Services' MOPHIMS-Pregnancy MICA searchable database notes the following fetal deaths in Missouri over a 2 year period.

Year	Fetal Deaths
2019-2020	859
2017-2018	844
2015-2016	927
2013-2014	809
2011-2012	817

This results in a five two-year average of 851 fetal deaths (425 annually), this would have resulted in \$510,000 ($\$1,200 * 425$) being claimed as a tax credit. DOR assumes this could result in a loss to general revenue of over \$510,000 annually. This would be a loss starting in FY 2026 when the first returns claiming the credits are filed.

This proposal creates a new tax credit that would require a new line being added to the Form MO-TC (\$7,138), updates to DOR's website and changes to DOR's individual income tax computer system (\$1,785). These changes are estimated to cost \$8,923. DOR's existing tax credit staff is no longer able to take on any additional tax credits without additional resources. Due to the intensive knowledge of credits that is needed DOR is not able to use temporary staff to help with processing these returns. This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of \$35,880.

Oversight notes the Centers for Disease Control and Prevention searchable database notes the following fetal deaths in Missouri over a 5 year period.

Year	Fetal Deaths
2021	406
2020	408
2019	443
2018	465
2017	457
Average	436

https://www.cdc.gov/nchs/pressroom/sosmap/infant_mortality_rates/infant_mortality.htm

Oversight will reflect the DOR estimate in the fiscal note. Additionally, the officials from the DOR assume not being able to use temporary staff to help with processing the returns for this specific tax credit and will require at least 1 FTE Associate Customer Service Rep at an annual salary of \$35,880 (plus fringe benefits and Equipment and Expense).

Oversight notes the proposal allows for all tax years beginning on or after January 1, 2025, a qualified taxpayer to claim a tax credit against the taxpayer's state tax liability in an amount equal to one thousand two hundred dollars. Therefore, Oversight will note the estimated impact and the additional request for DOR 1 FTE in the fiscal note effective FY 2026.

Lastly, Oversight notes the proposal, RSMo 135.342.5, states the tax credit shall not be refundable, assigned, transferred, sold, or otherwise conveyed.

Officials from the **Department of Health and Senior Services (DHSS)** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for DHSS.

Rule Promulgation

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

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. 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 \$5,000. 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 its 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.

Officials from the **Oversight Division** note the Division is responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, Oversight can absorb the cost with the current budget authority.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
<u>Loss – Section 135.347 – Stillbirth Child Tax Credit</u>	\$0	(\$510,000)	(\$510,000)
<u>Costs – DOR – RSMo</u>			
Personnel Service	\$0	(\$36,598)	(\$37,330)
Fringe Benefits	\$0	(\$28,937)	(\$29,204)
Expense & Equipment	\$0	(\$22,338)	(\$582)
<u>Total Costs -</u>	\$0	(\$87,873)	(\$67,116)
FTE Change	0 FTE	1FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>(\$597,873)</u>	<u>(\$577,116)</u>
Estimated Net FTE Change on General Revenue	0 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

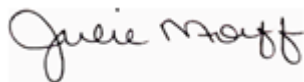
FISCAL DESCRIPTION

The proposed legislation authorizes tax credit for stillbirths.


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
Office of Administration – Budget & Planning
Office of the Secretary of State
Joint Committee on Administrative Rules
Department of Health and Senior Services
Oversight Division



Julie Morff
Director
January 30, 2024



Ross Strope
Assistant Director
January 30, 2024