



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2021 Biennium

Bill #	SB0111
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Title:	Extend termination date of qualified endowment tax credit
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Primary Sponsor:	Blasdel, Mark
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Status:	As Introduced
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|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2020</u> <u>Difference</u>	<u>FY 2021</u> <u>Difference</u>	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	(\$3,246,000)	(\$3,400,000)	(\$3,554,000)
Net Impact-General Fund Balance:	\$0	(\$3,246,000)	(\$3,400,000)	(\$3,554,000)

Description of fiscal impact: SB 111 extends the sunset date for the charitable endowment credit from the end of TY 2019 to the end of TY 2025. The net revenue reduction of extending the credit will be \$3,246,000 in FY 2021, which increases to \$3,554,000 in FY 2023.

**Revenue estimates in HJ 2 do not include an explicit positive revenue impact from the present law expiration of the credit, therefore the revenue impact of SB 111 is already included in the HJ 2 revenue estimate.

FISCAL ANALYSIS

Assumptions:

Department of Revenue (DOR)

1. Under current law, individuals and corporations are allowed a credit for a portion of the contributions they make to qualified charitable endowments. The credit is currently available through the end of TY 2019.
2. SB 111 extends the credit for qualified charitable endowment contributions to TY 2025.
3. The total number of charitable endowment credits claimed has increased over the past seven years, reaching approximately \$3.251 million in TY 2017. Based on historical credit amounts, the total number of credits is forecast to increase to \$3.487 million in FY 2020, \$3.652 million in FY 2021 and \$3.817 million in FY 2022.

Table 1		
Charitable Endowment Credit Amounts		
Tax Year	Total Credits Claimed	Forecast Amount
2015	\$2,526,000	
2016	\$2,768,000	
2017*	\$3,251,000	
2018		\$3,157,000
2019		\$3,322,000
2020		\$3,487,000
2021		\$3,652,000
2022		\$3,817,000

* Partial Corporate Return Data

- Without the credit, taxpayers would be able to claim an itemized deduction for the same donation amounts used to claim the credit. For individual taxpayers, the credit is 40% of the present value of the assets that are transferred to the charitable organization. The credit is 20% of the asset value for corporations. For the last five years, 1.3% of credits were claimed by corporations, while the rest of the credits were claimed by individuals. Based on the reported credit amounts, there was approximately \$8.2 million in qualified donations in TY 2017. Based on forecasted growth rates for the credit, and assuming 1.3% of credits will be claimed by corporations, there will be approximately \$8.83 million donations in TY 2020, \$9.25 million in TY 2021 and \$9.67 million in TY 2022.

Table 2			
Deduction Donation Amounts			
Tax Year	Credit Amounts	Donations	Deduction
2015	\$2,526,000	\$6,394,000	
2016	\$2,768,000	\$6,983,000	
2017	\$3,251,000	\$8,190,000	
2018	\$3,157,000	\$7,996,000	
2019	\$3,322,000	\$8,414,000	
2020	\$3,487,000	\$8,831,000	\$241,000
2021	\$3,652,000	\$9,249,000	\$252,000
2022	\$3,817,000	\$9,667,000	\$263,000

- Based on the estimated donation amounts, the elimination of the credit for TY 2020 would increase the deductions that individuals and corporations could claim by \$241,000. For TY 2021 and TY 2022, the deduction amount would increase by \$252,000 and \$263,000 respectively.
- It is assumed that taxpayers do not alter their withholding or estimated payments as a result of this credit.
- With no changes in withholding or estimated payment amounts, the extension of the credit for TY 2020 will reduce income tax revenue by \$3,246,000 in FY 2021 with the reductions increasing to \$3,554,000 by FY 2023.

Table 3			
Net Revenue Impact			
Fiscal Year	Credit Amounts	Deduction	Net Impact
2021	(\$3,487,000)	\$241,000	(\$3,246,000)
2022	(\$3,652,000)	\$252,000	(\$3,400,000)
2023	(\$3,817,000)	\$263,000	(\$3,554,000)

Fiscal Note Request – As Introduced

(continued)

8. The revenue estimates in HJ 2 do not explicitly include the revenue impact of the expiration of the credit. These costs should be interpreted as the revenue increase that would occur if the credit is not extended.
9. The department does not expect to incur significant additional costs as a result of this bill.

<u>Fiscal Impact:</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Department of Revenue	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	<u>\$0</u>	<u>(\$3,246,000)</u>	<u>(\$3,400,000)</u>	<u>(\$3,554,000)</u>
TOTAL Revenues	<u>\$0</u>	<u>(\$3,246,000)</u>	<u>(\$3,400,000)</u>	<u>(\$3,554,000)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	(\$3,246,000)	(\$3,400,000)	(\$3,554,000)

NO SPONSOR SIGNATURE

Sponsor's Initials

Date

TL

Budget Director's Initials

1/17/19

Date