

**MISSOURI TAX REVIEW COMMISSION SUBCOMMITTEE  
REPORT AND RECOMMENDATION  
COVER SHEET**

Prepared and Approved by: Banking and Insurance Tax Credit Committee  
Submitted to The Missouri Tax Credit Review Commission on: 10/29/10

Name and Statutory Citation of Credit:

**Bank Franchise Tax Credit**, Section 148.064 RSMo.

1 Objective, Purpose, and Perceived Beneficial Effects of Credit (e.g., Economic Development/Societal Need Met)

A Bank Franchise Tax Credit can be claimed by a bank in an amount equal to 1/60th of 1 percent of its outstanding shares and surplus employed in this state if the outstanding shares and surplus exceed \$1 million. The tax credit has the effect of equalizing the tax treatment of financial institutions and other corporations.

2 Cost - Benefit Analysis

FY 2009 0.06  
FY 2010 0.06

3 Number of Persons: (a) Applying for; and (b) Utilizing Credit in:

(a) 2009: 256 2010: 190  
(b) 2009: 256 2010: 190

4 Fiscal Impact on State in 2009, 2010, 2011, and Estimated Impact in 2012 (Amount in \$\$ of Redemptions), and Total Remaining Unredeemed Credits:

2009: \$2,710,300 2010: \$2,013,584 2011: \$2,100,000 (estimated)  
2012: \$2,100,000 (estimated) Est Amt. Outstanding: \$0

5 Recommended Priority Category of Credit (A, B, C, or D): N/A

6 Recommended Date of Termination if Category D:

7 Attachments Explaining Reasons to Retain Credit:

8 Attachments Explaining Reasons to Terminate Credit:

9 Attachments Explaining Alternatives for Modification of Credit:

10 Minority Report(s) Attached:

## Attachment - **Bank Franchise Tax Credit**

The committee believes that the Bank Franchise Tax Credit is a feature of Missouri's overall tax structure, rather than a true "tax credit," as that term is used to describe the state's various programs designed to provide an economic incentive or achieve a social outcome. The Bank Franchise Tax Credit was created to equalize the tax burden between financial institutions and other corporations after the General Assembly altered the corporate franchise tax. Elimination or reduction of the credit would increase taxes on financial institutions above the taxes imposed on otherwise similarly situated industries. Accordingly, the committee believes that any recommendation regarding the Bank Franchise Tax Credit would be tantamount to a recommendation to alter the overall Missouri tax structure, which is outside the purview of this Commission. Nevertheless, the committee recommends that the General Assembly should consider evaluating the Bank Franchise Tax Credit in the context of Missouri's overall tax structure to determine whether it is the most effective mechanism to equalize the tax burden between financial institutions and other corporations.

**MISSOURI TAX REVIEW COMMISSION SUBCOMMITTEE  
REPORT AND RECOMMENDATION  
COVER SHEET**

Prepared and Approved by: Banking and Insurance Tax Credit Committee  
Submitted to The Missouri Tax Credit Review Commission on: 10/29/10

Name and Statutory Citation of Credit:

**Bank Tax Credit for S Corporation Shareholders**, Section 143.471 RSMo.

1 Objective, Purpose, and Perceived Beneficial Effects of Credit (e.g., Economic Development/Societal Need Met)

Provides a tax credit for shareholders of subchapter S corporations that are banks, bank holding companies, savings and loan associations, and/or credit institutions. The purpose of the credit was to ensure that shareholders in financial institutions that are S corporations are treated similarly to shareholders of any other S-corporations under Missouri tax law.

2 Cost - Benefit Analysis

FY 2009 0.01  
FY 2010 0.02

3 Number of Persons: (a) Applying for; and (b) Utilizing Credit in:

(a) 2009: 1,044 2010: 910  
(b) 2009: 1,044 2010: 910

4 Fiscal Impact on State in 2009, 2010, 2011, and Estimated Impact in 2012 (Amount in \$\$ of Redemptions), and Total Remaining Unredeemed Credits:

2009: \$1,862,266 2010: \$1,823,612 2011: \$1,850,000 (estimated)  
2012: \$1,850,000 (estimated) Est Amt. Outstanding: \$0

5 Recommended Priority Category of Credit (A, B, C, or D): N/A

6 Recommended Date of Termination if Category D:

7 Attachments Explaining Reasons to Retain Credit:

8 Attachments Explaining Reasons to Terminate Credit:

9 Attachments Explaining Alternatives for Modification of Credit:

10 Minority Report(s) Attached:

## Attachment - **Bank Tax Credit for S Corporation Shareholders**

The committee believes that the Bank Tax Credit for S Corporation Shareholders is a feature of Missouri's overall tax structure, rather than a true "tax credit," as that term is used to describe the State's various programs designed to provide an economic incentive or achieve a particular social outcome. The Bank Tax Credit was created to equalize a disparity in tax burden imposed on shareholders in financial institutions organized as S-corporations and shareholders in other S-corporations. Elimination or reduction of the credit would increase taxes on shareholders in financial institutions organized as S-corporations above the tax burden imposed for shareholders in S-corporations in any other industry. Accordingly, the committee believes that any recommendation regarding the Bank Tax Credit would fundamentally alter the overall Missouri tax structure and, as a result, is outside of the purview of this Commission. Nevertheless, the committee recommends that the General Assembly consider evaluating the Bank Tax Credit in the context of Missouri's overall tax structure to determine whether it is the most effective mechanism to equalize the tax burden between shareholders in financial institutions organized as S-corporations and shareholders in non-financial institutions organized as S-corporations.

**MISSOURI TAX REVIEW COMMISSION SUBCOMMITTEE  
REPORT AND RECOMMENDATION  
COVER SHEET**

Prepared and Approved by: Banking and Insurance Tax Credit Committee  
Submitted to The Missouri Tax Credit Review Commission on: 10/29/10

Name and Statutory Citation of Credit:

**Missouri Examination Fee and Other Fee Credit**, Section 148.400 RSMo.

1 Objective, Purpose, and Perceived Beneficial Effects of Credit (e.g., Economic Development/Societal Need Met)

The credit allows the total cost of an examination paid by an insurance company, any income taxes, franchise taxes, personal property taxes, valuation fees and/or registration fees paid to be taken as a tax credit against premium tax due. The credit attempts to equalize the treatment of insurance companies and other businesses entities, which can deduct the above-referenced taxes and fees as operating expenses.

2 Cost - Benefit Analysis

FY 2009: n/a

FY 2010: n/a

3 Number of Persons: (a) Applying for; and (b) Utilizing Credit in:

(a) 2009: 106 2010: 115

(b) 2009: 106 2010: 115

4 Fiscal Impact on State in 2009, 2010, 2011, and Estimated Impact in 2012 (Amount in \$\$ of Redemptions), and Total Remaining Unredeemed Credits:

2009: \$4,569,160 2010: \$4,500,000 (estimated) 2011: \$4,500,000 (estimated)  
Est Amt. Outstanding: \$10,833,574

5 Recommended Priority Category of Credit (A, B, C, or D): N/A

6 Recommended Date of Termination if Category D:

7 Attachments Explaining Reasons to Retain Credit:

8 Attachments Explaining Reasons to Terminate Credit:

9 Attachments Explaining Alternatives for Modification of Credit:

10 Minority Report(s) Attached:

## Attachments - **Missouri Examination Fee and Other Fee Tax Credit**

The committee believes that the Examination Fee and Other Fee Tax Credit is a feature of Missouri's overall tax structure, rather than a true "tax credit," as that term is used to describe the state's various programs designed to provide an economic incentive or achieve a social outcome. The Exam Fee credit was created in an attempt to equalize the tax burden on insurance companies, which, unlike other businesses when calculating income tax liability, cannot deduct certain fees and taxes as operating expenses when calculating their premium tax liability. Elimination or reduction of the credit would increase taxes on insurance companies above the taxes imposed on otherwise similarly situated industries. Accordingly, the committee believes that any recommendation regarding the Exam Fee Credit would be tantamount to a recommendation to alter the overall Missouri tax structure, which is outside the purview of this Commission. Nevertheless, the committee recommends that the General Assembly consider evaluating the Exam Fee Credit in the context of Missouri's overall tax structure to determine whether it is the most effective mechanism to equalize the tax burden between insurance companies and other corporations.

**MISSOURI TAX REVIEW COMMISSION SUBCOMMITTEE  
REPORT AND RECOMMENDATION  
COVER SHEET**

Prepared and Approved by: Banking and Insurance Tax Credit Committee  
Submitted to The Missouri Tax Credit Review Commission on: 10/29/10

Name and Statutory Citation of Credit:

**Missouri Health Insurance Pool Assessment Credit**, Section 376.975 RSMo.

1 Objective, Purpose, and Perceived Beneficial Effects of Credit (e.g., Economic Development/Societal Need Met)

The Missouri Health Insurance Pool serves Missouri residents who cannot purchase insurance in the regular market. All insurers issuing health insurance in the state are members of the pool. Individuals in the pool pay a premium and the difference between premiums paid and actual costs are assessed to members of the pool. The insurers are then allowed a tax credit against their tax liability.

2 Cost - Benefit Analysis

FY 2009 n/a  
FY 2010 n/a

3 Number of Persons: (a) Applying for; and (b) Utilizing Credit in:

(a) 2009: 112 2010: 127  
(b) 2009: 112 2010: 127

4 Fiscal Impact on State in 2009, 2010, 2011, and Estimated Impact in 2012 (Amount in \$\$ of Redemptions), and Total Remaining Unredeemed Credits:

2009: \$3,182,125 2010: \$5,231,399 (estimated) 2011: \$5,000,000 (estimated)  
2012: n/a Est Amt. Outstanding: \$8,996,085

5 Recommended Priority Category of Credit (A, B, C, or D): N/A

6 Recommended Date of Termination if Category D:

7 Attachments Explaining Reasons to Retain Credit:

8 Attachments Explaining Reasons to Terminate Credit:

9 Attachments Explaining Alternatives for Modification of Credit:

10 Minority Report(s) Attached:

## **Attachment - Missouri Health Insurance Pool Assessment Credit**

The committee believes that the Missouri Health Insurance Pool Assessment Credit is a mechanism to provide health insurance to individuals who would be otherwise uninsurable, rather than a true “tax credit,” as that term is used to describe the state’s various programs designed to provide an economic incentive or achieve a social outcome. In addition, the Missouri Health Insurance Pool Assessment Credit implicates national policy issues regarding the regulation and provision of health insurance that are outside the purview of this Commission. Nevertheless, the committee recommends that the General Assembly consider evaluating the Health Insurance Pool Assessment Credit to determine whether it is the most effective mechanism to enable otherwise uninsurable individuals to obtain health insurance.

**MISSOURI TAX REVIEW COMMISSION SUBCOMMITTEE  
REPORT AND RECOMMENDATION  
COVER SHEET**

Prepared and Approved by: Banking and Insurance Tax Credit Committee  
Submitted to The Missouri Tax Credit Review Commission on: 10/29/10

Name and Statutory Citation of Credit:

**Missouri Life and Health Insurance Guaranty Association Credit**, Section 376.745 RSMo.

1 Objective, Purpose, and Perceived Beneficial Effects of Credit (e.g., Economic Development/Societal Need Met)

All insurers issuing life and health insurance in the state are members of the Missouri Life and Health Insurance Guaranty Association. The association pays Missouri policyholders for claims against insolvent L&H companies, and then assesses all members in the state to pay claims of the insolvent insurer. Association members are allowed to take these assessments as an offset against premium tax collected by the state.

2 Cost - Benefit Analysis

FY 2009 n/a  
FY 2010 n/a

3 Number of Persons: (a) Applying for; and (b) Utilizing Credit in:

(a) 2009: 0 2010: 0  
(b) 2009: 0 2010: 0

4 Fiscal Impact on State in 2009, 2010, 2011, and Estimated Impact in 2012 (Amount in \$\$ of Redemptions), and Total Remaining Unredeemed Credits:

2009: \$0 2010: \$0 (estimated) 2011: \$3,600,000 (estimated)  
Est Amt. Outstanding: \$0

5 Recommended Priority Category of Credit (A, B, C, or D): N/A

6 Recommended Date of Termination if Category D:

7 Attachments Explaining Reasons to Retain Credit:

8 Attachments Explaining Reasons to Terminate Credit:

9 Attachments Explaining Alternatives for Modification of Credit:

10 Minority Report(s) Attached:

## **Attachment - Missouri Life and Health Insurance Guaranty Association Credit**

The committee believes that the Missouri Life and Health Insurance Guaranty Association Credit is a feature of a national framework for the protection of policyholders against insurer insolvency, rather than a true “tax credit,” as that term is used to describe the state’s various programs designed to provide an economic incentive or achieve a social outcome. Due to the interdependency among state guarantee associations, the committee believes that any recommendation regarding the Missouri Life and Health Insurance Guaranty credit would implicate national policy issues regarding the protection of policyholders against insurer insolvency, which is outside the purview of this Commission. Nevertheless, the committee recommends that the General Assembly consider evaluating the Missouri Life and Health Insurance Guaranty Association Credit to determine whether it is the most effective mechanism to protect Missouri policyholders against insurer insolvency.

**MISSOURI TAX REVIEW COMMISSION SUBCOMMITTEE  
REPORT AND RECOMMENDATION  
COVER SHEET**

Prepared and Approved by: Banking and Insurance Tax Credit Committee  
Submitted to The Missouri Tax Credit Review Commission on: 10/29/10

Name and Statutory Citation of Credit:

**Missouri Property and Casualty Insurance Guaranty Association Credit**, Section 375.774 RSMo.

1 Objective, Purpose, and Perceived Beneficial Effects of Credit (e.g., Economic Development/Societal Need Met)

All insurers issuing property and casualty insurance in the state are members of the Missouri Property and Casualty Insurance Guaranty Association. The association pays Missouri policyholders for claims against insolvent P&C companies, and then assesses all members in the state to pay claims of the insolvent insurer. Members are allowed to take these assessments as an offset against premium tax collected by the state.

2 Cost - Benefit Analysis

FY 2009 n/a  
FY 2010 n/a

3 Number of Persons: (a) Applying for; and (b) Utilizing Credit in:

(a) 2009: 200 2010: 177  
(b) 2009: 200 2010: 177

4 Fiscal Impact on State in 2009, 2010, 2011, and Estimated Impact in 2012 (Amount in \$\$ of Redemptions), and Total Remaining Unredeemed Credits:

2009: \$2,212,598 2010: \$827,237 (estimated) 2011: \$0 (estimated)  
Est Amt. Outstanding: \$827,237

5 Recommended Priority Category of Credit (A, B, C, or D): N/A

6 Recommended Date of Termination if Category D:

7 Attachments Explaining Reasons to Retain Credit:

8 Attachments Explaining Reasons to Terminate Credit:

9 Attachments Explaining Alternatives for Modification of Credit:

10 Minority Report(s) Attached:

**Attachment - Missouri Property and Casualty Insurance Guaranty Association Credit**

The committee believes that the Missouri Property and Casualty Insurance Guaranty Association Credit is a feature of a national framework for the protection of policyholders against insurer insolvency, rather than a true “tax credit,” as that term is used to describe the state’s various programs designed to provide an economic incentive or achieve a social outcome. Due to the interdependency among state guarantee associations, the committee believes that any recommendation regarding the Missouri Property and Casualty Insurance Guaranty Association Credit would implicate national policy issues regarding the protection of policyholders against insurer insolvency, which is outside the purview of this Commission. Nevertheless, the committee recommends that the General Assembly consider evaluating the Missouri Property and Casualty Insurance Guaranty Association Credit to determine whether it is the most effective mechanism to protect Missouri policyholders against insurer insolvency.

**MISSOURI TAX REVIEW COMMISSION SUBCOMMITTEE  
REPORT AND RECOMMENDATION  
COVER SHEET**

Prepared and Approved by: Banking and Insurance Tax Credit Committee  
Submitted to The Missouri Tax Credit Review Commission on: 10/29/10

Name and Statutory Citation of Credit:

**Self-Employed Health Insurance Tax Credit**, Section 143.119 RSMo.

1 Objective, Purpose, and Perceived Beneficial Effects of Credit (e.g., Economic Development/Societal Need Met)

A self-employed taxpayer who is ineligible for the federal income tax health insurance deduction may take credit against certain state taxes due. The purpose of the credit is to assist self-employed individuals in obtaining health insurance.

2 Cost - Benefit Analysis

FY 2009 0.02  
FY 2010 0.02

3 Number of Persons: (a) Applying for; and (b) Utilizing Credit in:

(a) 2009: 1800 2010: N/A  
(b) 2009: 1800 2010: N/A

4 Fiscal Impact on State in 2009, 2010, 2011, and Estimated Impact in 2012 (Amount in \$\$ of Redemptions), and Total Remaining Unredeemed Credits:

2009: \$1,729,167 2010: \$652,850 2011: \$1,000,000 (estimated)  
2012: \$1,000,000 (estimated) Est. Amt. Outstanding: \$0

5 Recommended Priority Category of Credit (A, B, C, or D): D

6 Recommended Date of Termination if Category D: 2011 Legislative Session

7 Attachments Explaining Reasons to Retain Credit:

8 Attachments Explaining Reasons to Terminate Credit:

9 Attachments Explaining Alternatives for Modification of Credit:

10 Minority Report(s) Attached:

## Attachment - **Self-Employed Health Insurance Tax Credit**

The committee recommends that the Self-Employed Health Insurance Tax Credit be terminated during the 2011 legislative session and replaced with a tax credit that better effectuates the purpose of assisting self-employed individuals in obtaining health insurance. As currently constructed, the credit is skewed to provide individuals who can most afford health insurance with a larger subsidy to obtain it than what would be available to those who can least afford health insurance. If the General Assembly were to create a new tax credit to assist low-income individuals to obtain health insurance, it should be structured similarly to the Senior Citizen's Property Tax Credit in providing a maximum income limitation and a sliding scale for the size of the benefit by which the size of the credit would decrease as adjusted gross income increases.