

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0103-01
Bill No.: HB 45
Subject: Economic Development; Taxation and Revenue.
Type: Original
Date: January 11, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government *	\$0	\$0	\$0

* Includes offsetting distributions and receipts.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** and the **Department of Economic Development** each state the proposal would not fiscally impact their respective agencies.

In response to a similar proposal (HB 775) from the 2004 session, officials from the **Lee's Summit School District** stated the proposal would limit TIF being used in retail projects, and would be helpful to school districts.

In response to a similar proposal (HB 775) from the 2004 session, officials from the **School District of Kansas City** stated the proposal would increase the District's property tax revenues.

In response to a similar proposal (HB 775) from the 2004 session, officials **St. Louis County** stated the provision for a 25% pass-through of payments in lieu of taxes for future TIF projects will increase St. Louis County's real property tax revenue, but it is not possible to determine a dollar amount for the fiscal impact. This will depend entirely on the number and type of future TIF projects.

ASSUMPTION (continued)

Officials from the **City of Lee's Summit, Jackson County, City of Kansas City, City of St. Louis** and **St. Louis Public Schools** did not respond to our request for fiscal impact.

Oversight assumes the proposal would require municipalities to pay to other local political subdivisions an amount equal to 25 percent of the payments in lieu of taxes received by the municipality. Oversight assumes this will result in a loss of an unknown amount to municipalities and a corresponding gain to school districts, counties and other taxing entities. Oversight assumes the net local government impact will be zero.

Oversight assumes the additional restrictions placed on TIF projects in Section 99.866.1 will not fiscally impact local political subdivisions.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
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LOCAL POLITICAL SUBDIVISIONS

<u>Income</u> to Other Taxing Entities - that would receive the distributions from municipalities.	Unknown	Unknown	Unknown
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<u>Loss</u> to Municipalities - that must now distribute 25% of payments in lieu of taxes to other taxing entities.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

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

DESCRIPTION

For projects approved after December 31, 2005, this proposal permits tax increment financing (TIF) to be used for no more than 25% of the total estimated redevelopment costs for projects that are primarily retail. The proposal prohibits TIF from being used to develop sites in which 25% or more of the area is open space as defined by Section 67.900, RSMo, or if the area is currently being used for agricultural or horticultural purposes. This prohibition does not apply to projects that are contained in a municipality's comprehensive plan if adopted prior to January 1, 2002.

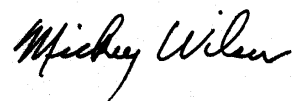
Municipalities that receive payments in lieu of taxes from a redevelopment project are required to pay 25% of these payments to other taxing entities which may be entitled to receive revenue from levies on real property. When a TIF project includes residential uses, the proposal requires that the real property tax levies attributable to the residential portion of the development pass through to the school district.

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 Economic Development
Department of Revenue
School District of Kansas City, Missouri
St. Louis County
School District of Lee's Summit

NOT RESPONDING: City of Lee's Summit, Jackson County, City of Kansas City, City of St. Louis and St. Louis Public Schools



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