

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0587-02  
Bill No.: HCS for HB 91  
Subject: Economic Development; Taxation and Revenue.  
Type: Original  
Date: March 31, 2005

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**FISCAL SUMMARY**

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

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

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
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
<b>Local Government</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

### 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.

Officials from the **School District of Kansas City** stated the proposal should increase the District's tax revenues because it allows the improvements from retail TIF projects to go back on the tax rolls sooner, creating more revenue for the District.

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 from this part of the proposal will be zero. Oversight also 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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<b>ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS</b>	<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 all redevelopment areas, plans and projects approved after December 31, 2005, tax increment financing cannot be used to fund more than 15% of the total estimated cost of a project that is primarily retail or to develop sites where 25% or more of the area is vacant, considered open space, or is currently being used for agricultural or horticultural purposes. These types of areas that are part of the redevelopment project and were included in the municipality's comprehensive plan prior to January 1, 2002, are exempt from this requirement.

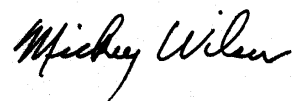
Municipalities are required to pay 25% of the payments in lieu of taxes they receive from TIF projects to taxing entities that would otherwise be entitled to receive revenue from property taxes. If a TIF project includes residential uses, real property tax revenues attributable to the residential portion of the development will pass through directly to the affected school districts unless commission members representing the affected districts say they will forgo this revenue.

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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Director  
March 31, 2005

RS:LR:OD (12/02)