

HCS HB 91 -- TAX INCREMENT FINANCING

SPONSOR: Johnson (47)

COMMITTEE ACTION: Voted "do pass" by the Committee on Local Government by a vote of 10 to 4.

Tax increment financing (TIF) cannot be used to fund more than 15% of the total estimated costs of a project that is primarily retail or to develop retail sites where 25% or more of the area is vacant, considered open space, or is currently being used for agricultural or horticultural purposes. This substitute exempts 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.

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.

FISCAL NOTE: No impact on state funds in FY 2006, FY 2007, and FY 2008.

PROPOSERS: Supporters say that the intent for using TIF projects has changed because of the judicial expansion of the definition "blighted" even though the definition has never been statutorily changed. Projects which now qualify as TIF projects were not intended to be eligible by the original supporters, and these TIFs divert much-needed revenue from schools.

Testifying for the bill were Representative Johnson (47); Cooperating School Districts of Greater Kansas City; Missouri National Education Association; Great Rivers Habitat Alliance; St. Charles County; Missouri School Boards Association; and Missouri Association of School Business Officials.

OPPOSERS: Those who oppose the bill say that referendum procedures need to be handled properly to avoid controversy and chaos. The selection of the 15% limit is arbitrary.

Testifying against the bill were Missouri Municipal League; City of Kansas City; and Greg Smith.

Julie Jinkens McNitt, Legislative Analyst