HCS HB 624 -- TAXATION

SPONSOR: Wilson (119)

COMMITTEE ACTION: Voted "do pass" by the Special Committee on Rural Community Development by a vote of 8 to 1.

This substitute changes the laws regarding taxation and regional economic development districts.

TAXATION

The substitute:

(1) Authorizes Perry County to impose, upon voter approval, a sales tax of up to .25% to equally fund senior services and youth programs. A seven-member senior services tax commission must be established to administer the moneys received for senior services, and an existing county community task force will administer the moneys received for youth programs;

(2) Authorizes any second, third, or fourth classification county to impose a transient guest tax, upon voter approval, on all hotel or motel sleeping rooms within the county. The tax cannot be more than one cent per room, per night, and must be used for the promotion of tourism within the county. Counties which impose the tax must establish a five-member tourism commission. The substitute specifies the membership of the commission and the term of each commissioner;

(3) Authorizes the City of Hollister to impose, upon voter approval, a transient guest tax of 2% to 5% per room, per night, for the promotion of tourism;

(4) Requires operators of storage facilities to provide documentation including the owner's name, address, county of residence, and a description of the personal property to the county assessor where the rental or leasing facility is located for property tax purposes. The substitute defines "personal property" as any house trailer, manufactured home, boat, vessel, floating home, floating structure, airplane, or aircraft. Any storage facility owner that fails to provide the required documentation will be assessed a penalty and taxes for the personal property stored at their location;

(5) Authorizes an income tax credit, beginning January 1, 2008, and ending January 1, 2011, for eligible applicants who install and operate a qualified alternative fuel station. This credit may be claimed for any tax year in which the applicant is constructing the refueling station. The credit is equal to the

lesser of $20,000 or 20% of the total costs directly associated with the purchase and installation of any alternative fuel storage and dispensing equipment. Costs associated with purchasing land, an existing alternative fuel station, or the construction of a new structure are not considered eligible costs. The cumulative amount of tax credits which can be claimed cannot exceed $3 million in 2008, $2 million in 2009, or $1 million in 2010. Tax credits may be carried forward for two years and sold. Tax credits will be forfeited if a tax credit recipient stops selling alternative fuel;

(6) Authorizes a Missouri income tax deduction, beginning January 1, 2008, for the purchase of a qualified hybrid vehicle. The tax credit is equal to the lesser of $1,500 or 10% of the vehicle's purchase price and must be claimed in the tax year in which the vehicle is purchased;

(7) Authorizes a tax credit for the purchase of E-85 gasoline. For calendar year 2008, the tax credit will be 25 cents per gallon of E-85 gasoline purchased by the taxpayer; for calendar years 2009 and 2010 the credit will be 20 cents per gallon; and for calendar years 2011 and beyond, the credit will be 15 cents per gallon. The amount of tax credits claimed per taxpayer cannot annually exceed $500. The minimum amount that must be claimed is $50. The tax credit can be carried forward for three years. No more than $500,000 in tax credits can be redeemed annually;

(8) Exempts new motor vehicles designed to operate on 85% ethanol fuel from state sales and use taxes in Fiscal Year 2008; and

(9) Specifies that the raw materials used during the primary manufacturing of automobiles will be assumed to contain at least 25% recovered materials. Currently, electricity used in the primary manufacturing of automobiles cannot be assessed local or state sales taxes if the raw materials used in the processing contain at least 25% recovered materials.

REGIONAL ECONOMIC DEVELOPMENT DISTRICTS

The substitute:

(1) Allows two or more governing bodies to establish a regional economic development district to plan programs encouraging economic development within the district. The governing bodies must enact identical ordinances or mutually agree to the district's establishment. The ordinances or mutual agreements must specify the qualifications, terms, membership, and powers of the district's board;

(2) Allows any city or county which has agreed to form a district to impose, upon voter approval, a sales tax within the district to be used for economic development purposes. The sales tax rate can be 0.125%, 0.25%, 0.375%, or 0.5%;

(3) Creates the Regional Economic Development District Sales Tax Fund for the deposit of all revenue levied from the district's sales tax;

(4) Prohibits the revenue from the district's sales tax from being included in calculations of moneys available to other special taxing districts that may also be a part of the regional economic development district. Other special taxing districts include tax increment financing districts, neighborhood improvement districts, and community improvement districts. Revenue from the regional economic development district's sales tax can only be used for its purposes and cannot be diverted to any other special taxing district unless approved by the district's board;

(5) Requires the board to make a report available to the public at least annually on the use of its funds;

(6) Allows the board to adopt incremental tax financing for the purposes of the district but cannot be used for retail projects;

(7) Specifies the manner in which ad valorem taxes and payments in lieu of taxes will be divided among affected taxing districts;

(8) Allows the district to collect 50% of the economic activity tax revenue received from sales within the district for 25 years;

(9) Specifies the requirements of a regional economic development plan;

(10) Requires that certain findings be made by the board before adopting a regional economic development plan, including a determination that the development area has not been subject to growth and development through private investment and that this cannot be reasonably expected to occur without the implementation of regional economic development projects and the adoption of incremental tax financing; and

(11) Allows the district to issue bonds to pay for the costs associated with the regional economic development projects.

The provisions regarding the tax credit for alternative fuel stations and the purchase of E-85 gasoline will expire six years from the effective date.

The provision regarding the transient guest tax in the City of Hollister has an emergency clause.

FISCAL NOTE: Estimated Cost on General Revenue Fund of More than $700,000 in FY 2008, More than $3,090,000 in FY 2009, and More than $2,260,000 in FY 2010. Estimated Cost on Other State Funds of More than $300,000 in FY 2008, FY 2009, and FY 2010.

PROPONENTS: Supporters say that this is a tool assessors need in order to identify and tax property within their district. Currently, assessors do not receive full disclosure regarding who owns property in mobile home parks, marinas, plane hangars, or storage facilities. The bill requires owners of these facilities to tell the assessor who owns property located at their facility so that the property owner can be taxed. Assessors have a duty to assess taxes in a fair and equitable manner, but when property owners hide their property so it cannot be taxed, the assessor cannot do this. The current system is not fair or equitable because some people are being taxed while others are not. The bill will ensure that everyone is taxed at the same rate.

Testifying for the bill were Representative Wilson (119); and Missouri Assessor's Association.

OPPONENTS: Those who oppose the bill say that it places an unnecessary burden on the owners of mini-storage units since they generally have no way of knowing what's being stored in their facilities. One person may rent the storage unit, but the property inside belongs to someone else. Determining this information within the first two weeks of the year will be very difficult, and it's unfair to require the mini-storage unit's owner to pay someone else's property taxes.

Testifying against the bill was Missouri Self-Storage Owners Association.