

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4268-01
Bill No.: HB 1810
Subject: Railroads; Revenue Dept.; Taxation and Revenue - General; Tax Credits;
Taxation and Revenue - Sales and Use
Type: Original
Date: February 18, 2008

Bill Summary: Would change the laws regarding state and local sales taxes, property taxes, and motor fuel taxes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	\$0	\$0	(\$4,000,000)
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	(\$4,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government *	\$0	(\$4,000,000)	\$0

* Net of revenue reduction and reimbursement.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** provided the following response.

Many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Elementary and Secondary Education** stated that tax subsidies reduce the state's tax revenues and decrease the amount of money available for public schools and all public school students. The proposal indicates the state would reimburse, on an annual basis, any political subdivision of this state for any decrease in revenue. DESE officials deferred to the Department of Revenue regarding the amount of impact.

Officials from the **Department of Revenue (DOR)** assume this proposal would allow a freight line company a tax credit against the property tax imposed by chapter 137.

The Department of Revenue would be required to promulgate a uniform and simplified rule for all motor fuel tax exemptions preempting all similar existing rules, and shall minimize the time between requesting a refund and receiving a refund.

The proposal would expand the manufacturing exemption to include an exemption from transportation development district sales tax and local sales tax laws. These changes would impact what was established by Senate Bill 30 of the 2007 legislative session. Sales tax form and instruction changes would be required and MITS system changes would be required.

DOR submitted a cost estimate to implement this proposal of \$5,133 for preparing and mailing 11,800 manufacturers exemption letters.

ASSUMPTION (continued)

Oversight assumes this information could be included with other DOR publications and absorbed with existing resources. If unanticipated costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

DOR officials also provided an estimate of the IT cost to implement this proposal.

Officials from the Office of Administration, Information Technology Services Division assume this proposal would have no fiscal impact to their organization.

Officials from the **State Tax Commission** (TAX) assume this proposal would create a tax credit against a freight line company's ad valorem property tax. TAX assumes that only those freight line companies that are defined by Section 137.1003. (4) RSMo would be eligible for the tax credit. There are approximately 345 freight line companies that could qualify for this credit.

In calendar year 2006, the amount of freight line ad valorem property tax was \$3.5 million dollars and in calendar year 2007, the amount of freight line ad valorem property tax was \$4.1 million dollars. TAX assumes that annual taxes would be approximately \$4 million dollars. If we assume that each of these companies have significant eligible expenses to off-set the total amount of tax due, the State of Missouri would be required to annually reimburse the local political subdivision approximately \$4 million dollars. This credit would be effective on January 1, 2009 for property taxes due in FY 2010.

Officials from **Clinton County** and the **City of Centralia** assume this proposal would reduce taxes collected.

Officials from the **Department of Transportation** did not respond to our request for information.

Oversight will use the State Tax Commission estimate of tax credits allowable and the reimbursement due to political subdivisions. The reimbursement for local revenues lost would be known in FY 2010, and appropriated and paid in FY 2011.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE FUND			
<u>Cost</u> - reimbursement of local tax reductions	<u>\$0</u>	<u>\$0</u>	<u>(\$4,000,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0</u>	<u>(\$4,000,000)</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2009 (10 Mo.)	 FY 2010	 FY 2011
LOCAL GOVERNMENTS			
<u>Reimbursement</u> - for revenue reduction	\$0	\$0	\$4,000,000
<u>Revenue reduction</u> - tax credits	<u>\$0</u>	<u>(\$4,000,000)</u>	<u>(\$4,000,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0</u>	<u>(\$4,000,000)</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Small Business</u>			

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

FISCAL DESCRIPTION

This proposal would change the laws regarding state and local sales taxes, property taxes, and motor fuel taxes.

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

Office of the Secretary of State
Department of Elementary and Secondary Education
Department of Revenue
State Tax Commission
Clinton County
City of Centralia

NOT RESPONDING

Department of Transportation

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 18, 2008