

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4568-01
Bill No.: HB 1974
Subject: Revenue Department; Tax Credits; Taxation and Revenue - Sales and Use;
Transportation
Type: Original
Date: March 10, 2008

Bill Summary: This proposal provides tax incentives for transportation infrastructure projects.

FISCAL SUMMARY

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

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

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 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 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** assume the proposal would not fiscally impact their agency.

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposal creates tax credits and sales tax exemptions to incent private investment in a private-public partnership for transportation improvements. BAP defers to MoDOT and the Department of Revenue for an estimate in reductions in general revenue as a result of this proposal.

Officials from the **Department of Transportation (MoDOT)** assume no fiscal impact at this time because they currently do not have any Public Private Partnership projected identified at this time. If they did have projects, the impact would be an unknown positive depending on the project.

Officials from the **Department of Revenue (DOR)** state Personal Tax would require one Tax Processing Technician I for every 4,000 credits claimed. DOR assumed the cost of the additional FTE would total roughly \$40,000 per year.

Due to the Statewide Information Technology Consolidation, DOR's response to a proposal will now also reflect the cost estimates prepared by OA-IT for impact to the various systems. As a result, the impact shown may not be the same as previous fiscal notes submitted. In addition, if the legislation is Truly Agreed To and Finally Passed, the OA-IT costs shown will be requested through appropriations by OA-IT.

Office of Administration Information Technology (ITSD DOR) estimates the IT portion of this request can be accomplished within existing resources; however, if priorities shift, additional FTE/overtime would be needed to implement. Office of Administration Information Technology (ITSD DOR) estimates that this legislation could be implemented utilizing 1 existing CIT III for 2 months for modifications to MINITS and 3 existing CIT III for 1 month for modifications to COINS, CAFÉ, and Corporate E-File. The estimated cost is \$20,930.

Oversight assumes DOR would be able to administer the tax credit with existing resources.

Officials from the **Department of Conservation** state the proposal would have a negative fiscal impact on the MDC funds. The exact amount of impact is unknown, but is expected to exceed \$100,000 annually.

ASSUMPTION (continued)

Officials from the **Department of Natural Resources (DNR)** state Section 144.054 would exempt from state and local sales and use taxes all sales and purchases made by a contractor for use in completing certain transportation infrastructure projects. DNR's Parks and Soils Tax Fund is derived from one-tenth of one percent sales and use tax pursuant to Section 47(a) of the Missouri Constitution. Therefore, any additional sales and use tax exemption would be a loss to the Parks and Sales Tax Fund. The amount of fiscal impact is unknown. DNR assumes the Department of Revenue may be better able to estimate the amount of impact to the PSST.

Officials from the **Office of the Secretary of State (SOS)** assume 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 **St. Louis County** assume the proposal would not have a fiscal impact on them.

Officials from the **City of St. Louis, City of Columbia, City of Springfield** and **Greene County** did not respond to our request for fiscal impact.

Since, according to MoDOT, none of these private-public partnerships exist yet, **Oversight** will range the fiscal impact of the tax credits, the sales tax exemption, and the state tax liability deduction from \$0 to (Unknown).

This proposal could reduce Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (6 Mo.)	FY 2010	FY 2011
GENERAL REVENUE FUND			
<u>Loss</u> - Section 135.660 - tax credit for revenues received for a project completed under Sections 227.600 to 227.669	\$0	\$0 to (Unknown)	\$0 to (Unknown)
<u>Loss</u> - Subsection 144.054.4 - sales tax exemption for goods and services used for completing projects under Sections 227.600 to 227.669	\$0 to (Unknown)	\$0 to (Unknown)	\$0 (Unknown)
<u>Loss</u> - Subsection 227.645.4 - decrease in state tax liability for private partner investments in projects	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
ESTIMATED NET EFFECT TO GENERAL REVENUE FUNDS	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
OTHER STATE FUNDS			
<u>Loss to Schools District Trust Fund, Conservation Commission Fund, Parks and Soils Fund</u> - Subsection 144.054.4 - sales tax exemption for goods and services used for completing projects under Sections 227.600 to 227.669	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT TO OTHER STATE FUNDS	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

FISCAL IMPACT - Local Government

FY 2009
(6 Mo.)

FY 2010

FY 2011

LOCAL POLITICAL SUBDIVISION

Loss - Subsection 144.054.4 - sales tax exemption for goods and services used for completing projects under Sections 227.600 to 227.669

\$0 to
(Unknown)

\$0 to
(Unknown)

\$0 to
(Unknown)

**ESTIMATED NET EFFECT TO
LOCAL POLITICAL SUBDIVISIONS**

\$0 to
(Unknown)

\$0 to
(Unknown)

\$0 to
(Unknown)

FISCAL IMPACT - Small Business

Small businesses that qualify for the tax credits, the sales tax exemption or the income tax deduction may be positively impacted as a result of this proposal.

FISCAL DESCRIPTION

Beginning January 1, 2009, this bill authorizes a tax credit for taxpayers who receive revenue from a public-private partnership. The tax credit amount will be equal to the amount of revenues received in the taxable year for which the tax credit is claimed but cannot exceed the amount of the taxpayer's state tax liability for the tax year. The tax credit can be taken against income tax, corporate franchise tax, insurance premium tax, financial institutions tax, and express company tax liability.

An exemption from state and local sales and use tax is authorized for all sales and purchases of tangible personal property, utilities, and services used by contractors for completing a public-private partnership project.

Also, an income tax liability deduction is available for private investors who invest in public-private partnership projects.

The provisions regarding the tax credit will expire December 31 six years from the effective date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

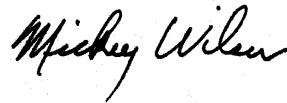
RS:LR:OD (12/02)

SOURCES OF INFORMATION

Department of Transportation
Department of Revenue
Department of Insurance, Financial Institutions and Professional Registration
Office of the Secretary of State
Office of Administration - Budget and Planning
Department of Conservation
Department of Natural Resources
St. Louis County

NOT RESPONDING:

City of St. Louis
City of Columbia
City of Springfield
Greene County

A handwritten signature in black ink that reads "Mickey Wilson". The signature is fluid and cursive, with the first name "Mickey" and last name "Wilson" clearly distinguishable.

Mickey Wilson, CPA
Director
March 10, 2008