COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5666-01
Bill No.: Perfected HB 2065
Subject: Tax Incentives
Type: Original
Date: April 18, 2016

Bill Summary: Authorizes tax incentives for data centers.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	$0	$0	$0
Total Estimated Net Effect on General Revenue	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	**(Unknown)**	**(Unknown)**	**(Unknown)**

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Revenue (DOR)** assume §67.2050 outlined the duties and responsibilities of the governing body of a municipality. The provisions of subsection 4 exempt transactions pertaining to lease or rental of components of the project. A private person or corporation that initially transferred property to the municipality retains the right to have the entity transfer the donated property back to the person or corporation at no cost.

The provision appears to give the private owner first right of refusal. Thus, it would apparently allow the entity to make major improvements and transfer the property back to the person who donated it tax-free.

DOR assumed these transactions would still be subject to state sales tax. If this is the intent of this proposal, the state and local tax base will not be uniform. The proposal in this section creates a new item tax by exempting lease and rentals from local tax if created under §67.2050. DOR would need to add this item tax to the integrated system. The provisions of this legislation require the DOR to add an item tax to the Integrated Tax System at a cost of $5,195.

Oversight assumes this amount to be a minimal impact and can be absorbed by DOR.

Officials at the **Department of Economic Development** assume no fiscal impact from this proposal.

Officials at **St. Louis County** assume there are currently 35 data centers in St. Louis County that range in size from 5,000 to 183,000 square feet. Putting an actual dollar amount on that would be nearly impossible. The County has no way of knowing what each data center would be investing in to get the incentives. The County can look at it from the perspective that they would not be subtracting any taxes they now pay, only taking advantage of 50% of any new taxes due.

Oversight assumes there would be a reduction in local sales tax revenue of an unknown amount.

In a similar proposal (HB 497, 2015), officials at the **Joint Committee on Administrative Rules** and the **Department of Insurance, Financial Institutions, and Professional Registration** assumed no fiscal impact from this proposal to their respective organizations.

ASSUMPTION (continued)

Oversight notes that this proposal does not require a minimum investment in a new facility or a minimum investment in an expanding facility. **Oversight** is not aware of any existing or planned projects which could qualify for the program. **Oversight** assumes the proposal is not mandatory and there will be no fiscal impact without local government action.

Oversight notes the provision would allow but not require local governments to participate in business facility projects; the projects would be the result of a future local government decision. In addition, Oversight assumes properties owned by local governments would be exempt from property tax under existing law. Therefore, this provision would have no direct fiscal impact.

In response to a previous version, officials from the **Office of the Secretary of State (SOS)** stated 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, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Office of Administration - Division of Budget and Planning (B&P)** assume this proposal may impact state revenues and may impact the calculation under Article X, Section 18(e).

B&P assumes this proposal allows local governments to carry out business facility projects. It exempts leases from local sales tax and buildings owned by the government owned by the local government from property tax. This may have a negative impact on Total State Revenue in the event that local governments buy, build, or hold more building properties than they otherwise would have.

FISCAL IMPACT - State Government	FY 2017 (10 Mo.)	FY 2018	FY 2019
	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2017 (10 Mo.)	FY 2018	FY 2019
LOCAL POLITICAL SUBDIVISIONS			
Loss - in revenue to local political subdivisions	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**(Unknown)**	**(Unknown)**	**(Unknown)**

FISCAL IMPACT - Small Business

Certain technology small businesses could be impacted by this proposal.

FISCAL DESCRIPTION

The proposal allows a county or any municipality to carry out technology business facility projects for economic development; accept grants from the federal and state governments for technology business facility project purposes, and enter into an agreement that is not contrary to the laws of this state. The county or municipality may receive gifts and donations from private sources to be used for technology business facility project purposes.

The governing body of the municipality may enter into loan agreements or sell, lease, or mortage to private persons, partnerships. or corporations any one or more of the components of a facility of the municipality for the development of a technology business facility project. If, in the judgement of the governing body of the municipality, the project will result in economic benefits to the municipality, the governing body may lawfully enter into an agreement that includes nominal monetary consideration to the municipality in exchange for the use of one or more components of the facility.

FISCAL DESCRIPTION (continued)

Transactions involving the lease or rental of any components of a project under these provision must be specified under these provisions, must be specifically exempted from specified state and local sales taxes and any leasehold interests held or granted must not be subject to property taxes. Any payments in lieu of taxes expected to be made by any lessee of the project must be applied as specified in the bill. The lessee may reimburse the municipality for its actual costs of administering the plan. All amounts paid in excess of the actual costs must be disbursed to each affected taxing entity in proportion to the current ad valorem tax levy of each affected taxing entity.

The county assessor must include the current assessed value of all property within the affected taxing entities in the aggregate valuation of assessed property entered upon the assessor's book and the value must be used for the purpose of the debt limitation on the local government under the Missouri Constitution.

The governing body of any municipality may sell or otherwise dispose of the property or buildings acquired under these provisions to private persons or corporations for technology business facility project purposed upon approval by the governing body. Any private person or corporation that initially transfers property to the municipality at no cost for purposes of a technology business facility project must retain the right, upon request to the municipality, to have the municipality transfer back the donated property at no cost.

These provisions must not be construed to allow a political subdivision to provide telecommunications services or telecommunications facilities to the extent that they are prohibited under Section 392.410, RSMo.

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 Revenue
Joint Committee on Administrative Rules
Department of Insurance, Financial Institutions and Professional Registration
Office of the Secretary of State
Office of Administration - Division of Budget and Planning

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