

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1637-01
Bill No.: HB 772
Subject: Economic Development; Tax Incentives; Taxation and Revenue - General
Type: Original
Date: March 30, 2017

Bill Summary: This proposal exempts certain projects from the Tax Increment Allocation Redevelopment Act annual appropriation cap.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	\$0	\$0 or (Could exceed \$22,500,000)	\$0 or (Could exceed \$22,500,000)
Total Estimated Net Effect on General Revenue	\$0	\$0 or (Could exceed \$22,500,000)	\$0 or (Could exceed \$22,500,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Supplemental Tax Increment Financing Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Distribution increase (decrease) net to zero.

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government	\$0	\$0 or Could exceed \$22,500,000	\$0 or Could exceed \$22,500,000

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning, Department of Economic Development** and the **Department of Revenue** each assume there is no fiscal impact from this proposal.

Oversight notes the current law caps the annual amount of new state revenues that may be appropriated to the Missouri Supplemental Tax Increment Financing Fund for redevelopment projects at \$32 million. Under this program, an applicant may be approved to receive up to 50 percent of the net new state tax revenue (General Revenue portion only) generated in the project area.

This proposal excludes from this cap any annual amounts generated by any single plan or project which is estimated to create in excess of fifteen thousand new jobs with an average annual wage of more than \$75,000. For example, if one project were authorized the amount of net new General Revenue that may be transferred to the single project would be at least up to \$22,500,000 (15,000 new jobs x \$75,000 average annual salary x 4% estimated withhold tax rate x 50%). This would be transferred upon appropriation to the local political subdivision (through the Missouri Supplemental Tax Increment Financing Fund (0848)) where the project is developed to help pay for infrastructure improvements within the redevelopment area.

Oversight assumes this proposal would not be effective until August 28, 2017. Oversight is unaware of how many of these projects may be authorized by the Department of Economic Development. Oversight will show the impact as \$0 (no projects authorized) or could exceed \$22,500,000 the amount that would be generated by just one project meeting the minimum qualifications of this proposal.

Oversight assumes any project that would qualify for and utilize the changes in this proposal would have positive economic benefit to the state as well as to the local political subdivision where the project would be located; however, Oversight considers these benefits to be an indirect effect of the proposal and have not reflected them in the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE			
<u>Loss</u> - Department of Economic Development - transfer of incremental new state revenues for each 15,000 job project	\$0	\$0 or (Could exceed \$22,500,000)	\$0 or (Could exceed \$22,500,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	\$0 or (Could exceed \$22,500,000)	\$0 or (Could exceed \$22,500,000)
SUPPLEMENTAL TAX INCREMENT FINANCING FUND			
<u>Transfer In</u> - from GR of incremental new state revenues for each 15,000 job project	\$0	\$0 or Could exceed \$22,500,000	\$0 or Could exceed \$22,500,000
<u>Transfer Out</u> - to political subdivision for each 15,000 job project	\$0	\$0 or (Could exceed \$22,500,000)	\$0 or (Could exceed \$22,500,000)
ESTIMATED NET EFFECT ON SUPPLEMENTAL TAX INCREMENT FINANCING FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

LOCAL POLITICAL SUBDIVISION FUNDS

FY 2018
(10 Mo.)

FY 2019

FY 2020

<u>Transfer In</u> - incremental new state revenues for each 15,000 job project	\$0	\$0	\$0 or Could exceed \$22,500,000
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISION FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0 or Could exceed</u> <u>\$22,500,000</u>

FISCAL IMPACT - Small Business

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

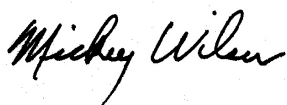
FISCAL DESCRIPTION

This bill excludes any annual amounts generated by any single plan or project estimated to create more than 15,000 new jobs, with an average annual wage of \$75,000, from the annual \$32 million limit on new state revenues appropriated from the Missouri Supplemental Tax Increment Financing Fund.

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 Economic Development
Department of Revenue
Office of Administration
Division of Budget and Planning



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