

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4638-01
Bill No.: HB 1466
Subject: Tax Incentives, Economic Development, Political Subdivisions, Taxation and Revenue - Sales and Use, Department of Revenue
Type: Original
Date: March 28, 2018

Bill Summary: This proposal authorizes municipalities to establish technology business facility projects and authorizes tax exemptions for such projects.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other</u> 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 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal allows local governments to carry out business facility projects. It exempts leases from local sales tax and buildings 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.

This proposal may impact total state revenues. This proposal may impact the calculation under Article X, Section 18(e).

Officials at the **State Tax Commission** assume this has an unknown fiscal impact. The fiscal impact on the taxing jurisdiction would be dependent on the payment in lieu of taxes agreement between the municipality and the lessee for the project. Such agreements often contemplate "new" economic activity off setting tax revenue reductions.

Officials at the **Department of Natural Resources (DNR)** assume the Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Therefore, any additional sales and use tax exemption would be a loss to the Parks and Soils Sales Tax Funds.

Providing state and local sales and use tax exemptions as stated in this proposal could decrease the amount of funding available in the Parks and Soils Sales Tax Funds (PSSTF). These funds have been used for the acquisition and development, maintenance, and operation of state parks and historic sites and to assist agricultural landowners through voluntary programs.

The department assumes the Department of Revenue and Office of Administration-Budget and Planning will provide a more detailed account of the fiscal impact to the PSSTF.

Officials at the **Department of Elementary and Secondary Education (DESE)** other than the potential impact on the revenue stream of state and local government (which our department has no means to calculate), this proposal does not impact DESE.

Officials at the **Department of Revenue** and the **Department of Conservation** each assume there is no fiscal impact from this proposal.

Officials at the **City of Springfield** assume this is a potential positive fiscal impact.

ASSUMPTION (continued)

Officials at the **Kirksville R-III** and the **Summersville R-2 School Districts** each assume that any time taxes are exempted it has a negative impact on the district.

Officials at the **Montgomery County R-II School District** assume this would adversely affect funds to the district.

Officials at the **West Plains School District, Jackson County Board of Election Commissioners** and the **St. Louis County Board of Election Commissioners** each assume there is no fiscal impact from this proposal.

Oversight notes 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 notes these provisions 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 notes that properties owned by local governments would be exempt from property tax under existing law. Since it is unknown if or when such a project would be created, Oversight will indicate a revenue reduction to local governments of \$0 (no projects) or (Unknown) if one or more projects result in a reduction of local government revenue.

Oversight assumes the development or creation of a new project which would be exempt from local sales taxes by action of a local government would not result in a revenue reduction to the state.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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LOCAL GOVERNMENTS

	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>
<u>Loss</u> - Local government revenues			

ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>
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FISCAL IMPACT - Small Business

A small business involved in a technology project could have a direct fiscal impact from this proposal.

FISCAL DESCRIPTION

This bill 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 mortgage 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 judgment 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.

Transactions involving the lease or rental of any components of a project 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

FISCAL DESCRIPTION (continued)

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 limitations on local governments 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 shall retain the right, upon request, to have the municipality return 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

City of Springfield
Department of Conservation
Department of Elementary and Secondary Education
Department of Natural Resources
Department of Revenue
Jackson County Board of Election Commission
Kirksville R-III School District
Montgomery County R-II School District
Office of Administration
 Division of Budget and Planning
State Tax Commission
St. Louis County Board of Election Commission
Summersville R-2 School District
West Plains School District

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope", with a stylized flourish at the end.

Acting Director
March 28, 2018