

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3497-01
Bill No.: SB 570
Subject: Taxation and Revenue - General; Tax Incentives; Political Subdivisions
Type: Original
Date: January 13, 2020

Bill Summary: This proposal modifies provisions relating to Tax Increment Financing districts

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
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 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section(s) 99.805, 99.810, 99.843 and 99.847 - Tax Increment Financing

Officials from the **Office of Administration - Division of Budget & Planning (B&P)** assume this proposed legislation has no direct impact on B&P, has no direct impact on General Revenue and Total State Revenue, and will not impact the calculation pursuant to Article X, Section 18(e).

Officials from the **Missouri Department of Revenue**, the **Missouri Department of Public Safety - State Emergency Management Agency**, the **Missouri State Tax Commission** and the **Missouri Department of Economic Development, Divisions of: Business and Community Solutions** and **Missouri Development Finance Board** each assume there is no fiscal impact from this proposed legislation.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these organizations.

Officials from the **City of Kansas City (Kansas City or City)** state the proposed amendments to Sec. 99.805(1) narrow the definition of "blighted area". Kansas City does not have sufficient information to determine whether the change in the definition would actually decrease the expected number of future proposed Tax Increment Finance (TIF) projects. If there is a decrease in the number of such projects and this were determined to have a negative effect on economic development, then this proposed legislation would have a negative fiscal impact on Kansas City.

The proposed amendment to the definition of "conservation area" in Sec. 99.805, which requires that the "dilapidation standard" be met in all "conservation area" designations, is also designed to limit the availability of "conservation area" as a basis for a TIF project. Kansas City does not have sufficient information to determine whether this change would limit the number of future proposed "conservation area" TIF projects within Kansas City. If there is a decrease in the number of such projects and this were determined to have a negative effect on economic development, then such proposed amendment would have a negative fiscal impact on Kansas City.

The proposed definitions for "retail area" or "retail infrastructure" found In Sec. 99.805 of this proposed legislation, in combination with the new Sec. 99.810.2 in this legislation, will have a positive fiscal impact on Kansas City. These added definitions will limit some developers from overstretching the boundaries for which TIF projects were intended; overstretching that would result in less City tax revenues being diverted into the TIF project.

ASSUMPTION (continued)

Officials from the **City of Springfield** assume there is a negative fiscal impact to the city. The City of Springfield states the impact is unquantifiable without knowing how modifying the definition of “blight” would affect important city projects. Springfield assumes the loss would likely be less than \$1,000,000.

Oversight notes this proposal changes the definition of “blighted area” and “conservation area” while also changing the criteria required to be met by conservation areas before redevelopment plans can take place. This proposed legislation would also change the requirements for retail areas and flood plains for tax increment financing projects. Under this proposed legislation, potential tax increment financing project areas must first be studied by a party other than the proponent of the redevelopment plan.

Officials from the **City of Columbia** and **St. Louis County** each assume there is no fiscal impact from this proposed legislation.

Oversight will not show a fiscal impact of the changes to the tax increment financing laws. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight considers this to be an indirect impact of the proposed legislation.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

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 Administration - Division of Budget & Planning
Missouri Department of Revenue
Missouri Department of Public Safety - State Emergency Management Agency
Missouri State Tax Commission
Missouri Department of Economic Development - Business and Community Solutions Division
Missouri Department of Economic Development - Missouri Development Finance Board
City of Kansas City
City of Springfield
City of Columbia
St. Louis County



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January 13, 2020



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