

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0787S.06S
Bill No.: CCS for SS for SB 22
Subject: Taxation and Revenue - General; Tax Incentives; Political Subdivisions
Type: Original
Date: May 13, 2021

Bill Summary: This proposal would modify provisions relating to tax increment financing.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue Fund	\$0	Up to (\$100,000)	Up to (\$100,000)
Total Estimated Net Effect on General Revenue	\$0	Up to (\$100,000)	Up to (\$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government*	\$0	\$0	\$0

*Fiscal impact to local political subdivisions (Section(s) 99.821 & 99.848) will net to zero (\$0).

FISCAL ANALYSIS

ASSUMPTION

Section 67.1401 – Community Improvement District Act – Definitions

Oversight notes this section modifies the definition of “Blighted Area”.

Currently, the definition in Section 67.1401 states a “Blighted Area” is “an area which: by reason of predominance of defective or inadequate street layout, insanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or menace to the public health, safety, morals, or welfare in its present condition and use, or has been declared blighted or found to be a blighted area pursuant to Missouri law including, but not limited to, Chapter 353, Section(s) 99.800 to 99.865, or Section(s) 99.300 to 99.715”.

This section modifies the definition so that “Blighted Area” becomes the same as defined in Section 99.805 (as modified – see Section 99.805 in this fiscal note).

Oversight will not show a net fiscal impact as a result of the changes made to the Community Improvement District laws. Oversight assumes the changes put forth may or may not impact future Community Improvement Districts. However, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 67.1421 – Community Improvement Districts – Petition

Oversight notes Section 67.1421 modifies the criteria required to be included in the five-year plan required to be attached to any petition putting forth a proposal to establish a Community Improvement District.

Currently, the five-year plan must state a description of the purposes of the proposed district, the services it will provide, the improvements it will make and an estimate of costs of these services and improvements to be incurred.

Section 67.1421 is modified so that the five-year plan must state a description of the purposes of the proposed district, the services it will provide, each improvement it will make from the list of allowable improvements under Section 67.1461, an estimate of the costs of these services and improvements to be incurred, the anticipated sources of funds to pay the costs, and the anticipated term of the sources of funds to pay for the costs.

Oversight notes Section 67.1421 also modifies the required proposed length of existence of a Community Improvement District required to be attached to any petition putting forth a proposal to establish a Community Improvement District.

Currently, attached to any petition putting forth a proposal to establish a Community Improvement District is the proposed length of existence of a Community Improvement District

Section 67.1421 is modified so that the proposed length of time for the existence of the district, which in the case of districts established after August 28, 2021, shall not exceed twenty-seven (27) years from the adoption of the ordinance establishing the district unless the municipality extends the length of time under Section 67.1481.

Oversight will not show a net fiscal impact as a result of the changes made to the Community Improvement District laws. Oversight assumes the changes put forth may or may not impact future Community Improvement Districts. However, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 67.1451 – Community Improvement Districts – Board of Directors

Oversight notes Section 67.1451 sets out the qualifications for a district director if there are no registered voters in the district. This section is modified to state, in the case of districts established after August 28, 2021, if there are no registered voters in the district on the date the petition is filed, at least one director of the board governing the Community Improvement District shall, during his or her entire term, be a person who: 1) resides within the municipality that established the district, 2) is qualified and registered to vote under Chapter 115, according to the records of the election authority as of the thirtieth day prior to the date of the applicable election, 3) has no financial interest in any real property or business operating within the district, and 4) is not a relative within the second degree of consanguinity or affinity to an owner of real property or a business operating in the district.

In addition, Section 67.1451 states, in the case of districts established after August 28, 2021, if the board is to be elected, the petition shall require at least one member of the board be appointed by the governing body of the municipality in the same manner as provided in this section for board appointments. The appointed board member shall serve a four-year term.

Oversight will not show a net fiscal impact as a result of the changes made to the Community Improvement District laws. Oversight assumes the changes put forth may or may not impact future Community Improvement Districts. However, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 67.1461 – Community Improvement Districts – Powers of District

Oversight notes Section 67.1461 modifies the powers which a Community Improvement District has.

Currently, a Community Improvement District may, within its boundaries, provide assistance to or to construct, reconstruct, install, repair, or maintain and equip various public improvements, including any other useful, necessary, or desired improvement.

Section 67.1461 is modified to state that “any other useful, necessary, or desired improvement” must be specified in the petition or any amendment to such petition.

Oversight notes Section 67.1461 is also modified to require all construction contracts after August 28, 2021, in excess of five thousand dollars (\$5,000), between any district that has adopted a sales tax and any private person, firm, or corporation, to be competitively bid and shall be awarded to the lowest and best bidder.

Oversight will not show a net fiscal impact as a result of the changes made to the Community Improvement District laws. Oversight assumes the changes put forth may or may not impact future Community Improvement Districts. However, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 67.1471 – Community Improvement Districts – Reporting

Oversight notes Section 67.1471 modifies the annual report required to be filed with the municipal clerk and the Missouri Department of Economic Development.

Currently, Community Improvement Districts are required, within 120 days after the end of the fiscal year, to submit a report to the municipal clerk and the Missouri Department of Economic Development stating the services it provided, revenues collected, and expenditures made by the Community Improvement District during the fiscal year.

Section 67.1471 modifies the annual report by requiring the report to include the dates the district adopted its annual budget, submitted its proposed annual budget to the municipality, and submitted its annual report to the municipal clerk.

Oversight will not show a net fiscal impact as a result of the changes made to the Community Improvement District laws. Oversight assumes the changes put forth may or may not impact future Community Improvement Districts. However, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 67.1481 – Community Improvement Districts - Termination of District

Oversight notes Section 67.1481 modifies the term of the existence of a Community Improvement District.

Currently, each ordinance establishing a Community Improvement District shall set forth the term for the existence of such Community Improvement District which term may be defined as a minimum, maximum, or definite number of years.

Section 67.1481 is modified so that each ordinance establishing a Community Improvement District shall set forth the term for the existence of such Community Improvement District which term may be defined as a minimum, maximum, or definite number of years, but in the case of a Community Improvement District established after August 28, 2021, the term shall not exceed twenty-seven years except as otherwise provided.

Oversight notes Section 67.1481 is further modified to state, prior to the expiration of the term of a Community Improvement District (assumed to be prior to twenty-seven years after the adoption of the ordinance), a municipality may adopt an ordinance to extend the term of the existence of a district after holding a public hearing on the proposed extension. The extended term may be defined as a minimum, maximum, or definite number of years, but the extended term shall not exceed twenty-seven years.

Oversight will not show a net fiscal impact as a result of the changes made to the Community Improvement District laws. Oversight assumes the changes put forth may or may not impact future Community Improvement Districts. However, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 67.1545 – Community Improvement Districts – Sales and Use Tax

Oversight notes Section 67.1545 is modified to state, in each district in which a sales tax is imposed, every retailer shall prominently display the rate of the sales tax imposed or increased at the cash register area.

In response to the previous version of this proposed legislation, officials from the **Office of Administration – Budget & Planning Division** stated this section would require Community Improvement Districts to post a sign noting any sales tax rate imposed by the Community Improvement District and the state and local sales tax rates. This provision will not impact Total State Revenue or the calculation under Article X, Section 18(e).

Oversight will not show a net fiscal impact as a result of the changes made to the Community Improvement District laws. Oversight assumes the changes put forth may or may not impact future Community Improvement Districts. However, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 99.020 – Housing Authorities Law

Oversight notes this section modifies the definition of “Blighted”.

Currently, the definition in Section 99.020 states “Blight” shall mean “any area where dwellings predominate which, by reason of dilapidation, overcrowding, lack of ventilation, light or sanitary facilities or any combination of these factors are detrimental to safety, health and morals”. This section modifies the definition so that “Blighted” becomes the same as defined in Section 99.805 (as modified – see Section 99.805 in this fiscal note).

Oversight will not show a net fiscal impact as a result of the changes made to the Housing Authorities laws. Oversight assumes the changes put forth may or may not impact future Community Improvement Districts. However, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 99.320 – Land Clearance for Redevelopment Law – Definitions

Oversight notes this section modifies the definition of “Blighted Area”.

Currently, the definition in Section 99.320 states a “Blighted Area” is an area which, “by reason of the predominance of defective or inadequate street layout, insanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, morals, or welfare in its present condition and use”.

This section modifies the definition so that “Blighted” becomes the same as defined in Section 99.805 (as modified – see Section 99.805 in this fiscal note).

Oversight will not show a net fiscal impact as a result of the changes made to the Land Clearance for Redevelopment laws. Oversight assumes the changes put forth may or may not impact future Community Improvement Districts. However, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 99.805 – Real Property Tax Increment Allocation Redevelopment - Definitions

Oversight notes this section modifies the definition of “Blighted Area”. This section removes from the definition the areas of defective or inadequate street layout and improper subdivision or obsolete platting and removes the condition that retards morals that currently permit classification as a blighted area.

Currently, the definition in Section 99.805 states a “Blighted Area” is “an area which, by reason of the predominance of defective or inadequate street layout, insanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, morals, or welfare in its present condition and use”.

This section modifies the definition so that “Blighted Area” becomes “an area which, by reason of the predominance of insanitary or unsafe conditions, deterioration of site improvements, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety or welfare in its present condition and use”.

This section modifies the definition of “Conservation Area”. This section removes morals from being a detrimental cause to become a blighted area.

This section requires that, for all redevelopment plans and projects approved on or after January 1, 2022, in a retail area, a conservation area meet the dilapidation factor as one of the three factors required.

This section establishes the definition of “Port Infrastructure Project”. A port infrastructure project shall be docks and associated equipment, cargo and passenger terminals, storage warehouses, or any other similar infrastructure directly related to port facilities located in a port district and located within one-half of one mile of a navigable waterway.

This section establishes the definition of “Retail Area”. A retail area shall be a proposed redevelopment building area for which more than fifty percent (50%) of the usable building square footage in the area is projected to be used by retail businesses, which shall be businesses that primarily sell or offer to sell goods to a buyer primarily for the buyer’s personal, family, or household use and not primarily for business, commercial or agriculture use.

This section establishes the definition of “Retail Infrastructure Projects”. Retail infrastructure projects shall be highways, roads, streets, bridges, sewers, traffic control systems and devices, water distribution and supply systems, curbing, sidewalks, storm water and drainage systems, or any other similar public improvements but in no case shall retail infrastructure projects include private structures.

Oversight will not show a net fiscal impact as a result of the changes made to the Tax Increment Financing laws. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 99.810 – Real Property Tax Increment Allocation Redevelopment – Redevelopment Plan

Oversight notes this section states a study shall be prepared by a land use planner, urban planner, licensed architect, licensed commercial real estate appraiser, or licensed attorney. The study shall detail how the area meets the definition of an area eligible to receive tax increment financing.

In addition, no tax increment allocation financing shall be adopted in a retail area unless such financing is exclusively utilized to fund retail infrastructure projects or unless such area is a blighted area or conservation area. This provision shall not apply to any tax increment allocation financing project or plan approved before August 28, 2021, nor to any amendment to tax increment allocation financing projects and plans where such projects or plans were originally approved before August 28, 2021, provided that such an amendment does not add building of new construction in excess of twenty-five percent of the scope of the original redevelopment agreement.

Oversight will not show a net fiscal impact as a result of the changes made to the Tax Increment Financing laws. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 99.820 – Real Property Tax Increment Allocation Redevelopment – Municipalities’ Power and Duties

Oversight notes this section would require that a commission of twelve (12) persons be created as opposed to a commission of nine (9) persons. Such commission shall vote on all proposed redevelopment plans, redevelopment projects and designations of redevelopment areas, and amendments thereto and shall make recommendations concerning the adoption of or amendment to redevelopment plans and redevelopment projects and the designation of redevelopment areas.

Oversight will not show a net fiscal impact as a result of the changes made to the Tax Increment Financing laws. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 99.821 – Real Property Tax Increment Allocation Redevelopment – St. Louis City – Strategic Infrastructure for Economic Growth Fund

Oversight notes this section states that St. Louis City may deposit up to ten percent (10%) of the tax increment financing revenues generated from redevelopment plans approved or amended after December 31, 2021 into a Strategic Infrastructure for Economic Growth Fund in lieu of deposit into the Special Allocation Fund.

This section states the moneys deposited into the Strategic Infrastructure for Economic Growth Fund shall be expended by St. Louis City to fund capital investments in public infrastructure that the governing body of such city has determined to be in a census tract that is defined as a low-income community pursuant to 26 U.S. C. Section 45D(e) or is eligible to be designated as a qualified opportunity zone pursuant to 26 U.S.C. Section 1400Z-1.

Oversight assumes, then, the earliest that revenues could be diverted from the Special Allocation Fund and deposited in the new Strategic Infrastructure for Economic Growth Fund would be January 1, 2022 (Fiscal Year 2022).

For purposes of this fiscal note, **Oversight** will report a revenue reduction to local political subdivisions equal to an unknown amount, as the result of the reduced amount(s) of tax increment financing revenues being deposited into the Special Allocation Fund, beginning in Fiscal Year 2022.

Oversight will report a revenue gain to local political subdivisions equal to an unknown amount, as the result of the gained tax increment financing revenue being deposited into the new Strategic Infrastructure for Economic Growth Fund, beginning in Fiscal Year 2022.

Therefore, **Oversight** assumes the net fiscal impact to local political subdivisions, specific to this section, will net zero (\$0).

Section 99.843 – Real Property Tax Increment Allocation Redevelopment – Greenfield Areas

Oversight notes this section prohibits new projects from being authorized in Greenfield areas.

Currently, tax increment financing projects may be authorized within Greenfield areas so long as such project is not located within a city not within a county or any county subject to the authority of the East-West Gateway Council of Governments.

This section prohibits any projects within Greenfield Areas.

Oversight will not show a net fiscal impact as a result of the changes made to the Tax Increment Financing laws. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 99.847 – Real Property Tax Increment Allocation Redevelopment – Flood Plains

Oversight notes this section states, for all years ending on or before December 31, 2021, no new tax increment financing project shall be authorized in any area which is within an area designated as flood plain by the Federal Emergency Management Agency and which is located in or partly within a county with a charter form of government with greater than two hundred fifty thousand inhabitants but fewer than three hundred thousand inhabitants, unless the redevelopment area actually abuts a river or major waterway and is substantially surrounded by contiguous properties with residential industrial or commercial zoning classification.

This section further states, for all years beginning on or after January 1, 2022, no new tax increment projects shall be authorized in any area which is within an area designated as a flood plain by the Federal Emergency Management Agency unless such project is located in: Jackson County, Jefferson County, Clay County, Platte County, the City of St. Joseph, the City of Springfield, the City of Hannibal, Cole County, the City of Jefferson, in a port district with such financing utilized for port infrastructure projects, or in a levee district or drainage district so long as such district was created prior to August 28, 2021.

This section provides that projects within a flood plain within St. Charles County shall not be authorized unless the redevelopment area abuts a river or major waterway.

Section 99.848 – Real Property Tax Increment Allocation Redevelopment – Ambulance Districts, Fire Protection Districts, Governing Bodies Operating 911 Centers

Oversight notes this section is modified to reduce the number of districts that receive reimbursement from the Special Allocation Fund.

Currently, any district or county imposing a property tax for the purposes of providing emergency services shall be entitled to reimbursement from the Special Allocation Fund in the amount of at least fifty percent (50%) but no more than one hundred percent (100%) of the district's tax increment.

This section modifies who may be entitled to such reimbursement stating only ambulance districts, fire protection districts or any governing body operating a 911 center shall be entitled to reimbursement.

In addition, this section states an ambulance district board, a fire protection district board, or the governing body of a county operating a 911 center providing emergency or dispatch services imposing a property tax for the purpose of providing emergency services shall annually set the reimbursement rate prior to November 13th preceding the calendar year for which the annual reimbursement is being set.

In addition, this section states, any ambulance district board, any fire protection district, or any governing body imposing an economic activities tax for the purpose of providing emergency services shall be entitled to reimbursement from the Special Allocation Fund in the amount of at least fifty percent (50%) but not more than one hundred percent (100%) of the district's 911 center's tax increment. This provision shall not apply to tax increment financing projects or redevelopment areas approved prior to August 28, 2021.

Beginning August 28, 2021, any ambulance district board, any fire protection board, or any governing body operating a 911 center providing dispatch services shall annually set the reimbursement rate. Prior to November 13th preceding the calendar year for which the annual reimbursement is being set. If the redevelopment plan, area, or project is amended by ordinance or by other means after August 28, 2021, the ambulance or fire protection district or the governing body of a county operating a 911 center providing emergency or dispatch services shall have the right to recalculate the reimbursement rate.

Oversight assumes the various changes to the Special Allocation Fund may impact the distributions of those funds from various projects – but would net to zero (\$0) across the local political subdivisions / districts. Oversight will reflect the impact to the Special Allocation Fund in the fiscal note.

Section 99.918 – Missouri Downtown and Rural Economic Stimulus Act – Definitions

Oversight notes this section modifies the definition of “Blighted Area”.

Currently, the definition in Section 99.918 states a “Blighted Area” is “an area which, by reason of predominance of defective or inadequate street layout, unsanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire or other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, morals, or welfare in its present condition and use”.

This section modifies the definition so that “Blighted Area” becomes the same as defined in Section 99.805 (as modified – see Section 99.805 in this fiscal note).

Oversight will not show a net fiscal impact as a result of the changes made to the Missouri Downtown and Rural Economic Stimulus Act. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 99.1082 – Downtown Revitalization Preservation Program – Definitions

Oversight notes this section modifies the definition of “Blighted Area”.

Currently, the definition in Section 99.1082 states a “Blighted Area” is “an area which, by reason of predominance of defective or inadequate street layout, unsanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire or other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, morals, or welfare in its present condition and use”.

This section modifies the definition so that “Blighted Area” becomes the same as defined in Section 99.805 (as modified – see Section 99.805 in this fiscal note).

Oversight will not show a net fiscal impact as a result of the changes made to the Downtown Revitalization Preservation Program. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 100.310 – Planned Industrial Expansion – Definitions

Oversight notes this section modifies the definition of “Blighted Area”.

Currently, the definition in Section 100.310 states a “Blighted Area” is “an area which, by reason of the predominance of defective or inadequate street layout, insanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, morals or welfare in its present condition and use”.

This section modifies the definition so that “Blighted Area” becomes the same as defined in Section 99.805 (as modified – see Section 99.805 in this fiscal note).

Oversight will not show a net fiscal impact as a result of the changes made to the Planned Industrial Expansion laws. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 135.950 – Enhanced Enterprise Zones – Definitions

Oversight notes this section modifies the definition of “Blighted Area”.

Currently, the definition in Section 135.950 states a “Blighted Area” is “an area which, by reason of the predominance of defective or inadequate street layout, unsanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such

factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, morals, or welfare in its present condition and use. The term “blighted area” shall also include any area which produces or generates or has the potential to produce or generate electrical energy from a renewable energy resource, and which, by reason of obsolescence, decadence, blight, dilapidation, deteriorating or inadequate site improvements, substandard conditions, the predominance or defective or inadequate street layout, unsanitary or unsafe conditions, improper subdivision or obsolete platting, or the existence of conditions which endanger the life or property by fire or other means, or any combination of such factors, is underutilized, unutilized, or diminishes the economic usefulness of the land, improvements, or lock and dam site within such area for the production, generation, conversion, and conveyance of electrical energy from a renewable energy resource”.

This section modifies the definition so that “Blighted Area” becomes the same as defined in Section 99.805 (as modified – see Section 99.805 in this fiscal note).

Oversight will not show a net fiscal impact as a result of the changes made to the Enhanced Enterprise Zones laws. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 135.1610 - Tax Credit for Urban Farms

Officials from the **Missouri Department of Revenue (DOR)** state this section would allow a tax credit against a taxpayer’s state tax liability equal to fifty percent (50%) of the eligible expenses for establishing or improving an urban farm starting on August 28. Each eligible taxpayer shall be allowed up to \$5,000 for each urban farm depending on their eligible expenses. The tax credit cannot be transferred, sold or assigned.

The total amount of credits that can be authorized annually is \$100,000. DOR assumes the impact to General Revenue would be a loss of Up to the \$100,000 that can be authorized annually. The first tax returns claiming the credit will be filed in January 2022 (Fiscal Year 2022).

Fiscal Year	Loss to General Revenue
2022	(Up to \$100,000)
2023	(Up to \$100,000)
2024	(Up to \$100,000)

DOR assumes one (1) FTE Associate Customer Service Representative is needed for every 6,000 tax credits redeemed, one (1) FTE Associate Customer Service Representative is needed for every 4,000 tax credit transfers with CISCO phones and licenses, and one (1) FTE Associate Customer Service Representative is needed for every 7,600 errors/correspondence generated. DOR also anticipates the need for additional equipment and expense for form and system updates.

Oversight notes this proposed legislation states that no taxpayer shall claim a tax credit in excess of five thousand dollars (\$5,000). The cumulative amount of tax credits that may be authorized in any calendar year shall not exceed one hundred thousand dollars (\$100,000). Oversight assumes the minimum number of taxpayers that claim the tax credit created could be as low as 20 each year.

In addition, the tax credits created shall not be transferred, sold, or assigned. Therefore, Oversight assumes DOR can absorb the responsibilities associated with the tax credit created with existing resources. Should the number of redemptions or the number of errors generated prove to be significant, DOR may seek additional FTE through the appropriation process.

In response to similar legislation (SB 82 – 2021), officials from the **Missouri Department of Agriculture – Missouri Agricultural & Small Business Development Authority (MASBDA)** stated MASBDA does not currently receive funds from General Revenue or Federal sources to administer any programs. All revenues are from fees which pay for MASBDA's administrative costs.

MASBDA assumed that a non-refundable application fee of \$100 will be charged to each applicant.

MASBDA stated Section 348.080 gives MASBDA the authority to collect fees and charges, as the authority determines to be reasonable, in connection with its loans, advances, insurance, commitments, and servicing.

This is the same application fee for four (4) other MASBDA tax credit programs (New Generation Processing Entity initial application, New Generation Producer/Investor Tax Credit application, Agricultural Product Utilization Contributor contribution application, Qualified Beef Tax Credit application).

MASBDA noted the only program that does not charge the \$100 fee is the Family Farm Breeding Livestock Tax Credit program. The program has a review fee of 1% of the family farm loan amount and that fee is under Section 348.500.

MASBDA indicated that each tax credit program has a bank account set up for all administrative/program activities.

Oversight assumes, then, the \$100 would not impact state revenue(s). Therefore, Oversight will not report a fiscal impact for the \$100 fee that may be charged on each applicant of the tax credit program created. However, Oversight estimates the total amount that may be collected totals \$10,000 (\$100 * 100 applicants).

MASBDA assumed the current five (5) employees of MASBDA will be sufficient enough to run this program and no additional equipment will need to be purchased. MASBDA's cost allocation is based on percentage of time spent on each program per fiscal year by employee. MASBDA's assumption is that the Urban Farms Tax Credit program will have approximately 15% more activity than the current New Generation Cooperative Incentive Tax Credit. Fiscal Year 2021 estimated salary total for New Generation is \$15,724.67 which 15% increase is \$18,083.37.

Oversight notes this section would grant a tax credit to taxpayers who establish or improve an urban farm equal to fifty percent (50%) of the eligible expenses incurred in establishing such urban farm.

This section defines "Eligible Expenses" as "expenses incurred in the construction or development of establishing or improving an urban farm in an urban area".

Per data published by the [United States Census Bureau](#), there are approximately 119 urban areas observed in Missouri during the 2010 census of which 11 are urbanized areas and 108 are urban clusters.

The fifty percent (50%) tax credit shall not exceed a taxpayer's state tax liability. Any amount of tax credit that exceeds the taxpayer's state tax liability may be carried forward to the next three (3) succeeding tax years.

No taxpayer may claim a tax credit in excess of five thousand dollars (\$5,000) for each urban farm. The aggregate amount of tax credits authorized under this proposed legislation shall not exceed \$100,000 during any calendar year. Therefore, Oversight assumes the minimum number of tax credits that may be issued could be as low as 20 each year (\$100,000 / \$5,000).

Oversight notes there is no "begin date" for this section. Therefore, Oversight assumes this section would become effective August 28, 2021. Oversight notes taxpayers will not file their Tax Year 2021 tax return claiming the tax credit created until after January 1, 2022 (Fiscal Year 2022).

Therefore, **Oversight** will report a revenue reduction to General Revenue by an amount "Up to" \$100,000 beginning in Fiscal Year 2022.

Oversight notes the tax credit program created would sunset December 31st six (6) years after the effective date of this section.

Section 261.021 – Socially Disadvantaged Communities Outreach Program

Oversight notes this section creates, within the Missouri Department of Agriculture, the Socially Disadvantaged Communities Outreach Program to connect historically unserved and underserved urban communities with access to healthy fresh food and knowledge and skills related to food production.

The outreach program shall: 1) provide financial assistance for people growing food in socially disadvantaged communities through programs, 2) encourage activities that support and promote urban agriculture in socially disadvantaged communities, 3) provide education and skills training related to food production in socially disadvantaged communities, and 4) address food deserts in urban socially disadvantaged communities.

Oversight notes “socially disadvantaged communities” shall mean an area containing a group of individuals whose members have been subjected to racial or ethnic prejudice because of the identity of such individuals as members of a group without regard to the individual qualities of such individual”.

The Missouri Department of Agriculture is to designate an employee to administer and monitor the Socially Disadvantaged Communities Outreach Program and to serve as a liaison to affected communities.

On or before December 31st of each year, the Missouri Department of Agriculture shall submit a report to the General Assembly detailing the number of residents who received training under this program, the number of tax credits issued under Section 135.1610 (Urban Farms Located in a Food Desert Tax Credit), and any recommendations for legislative action to improve the program.

In response to similar legislation (HB 1411 – 2021), officials from the **Missouri Department of Agriculture (MDA)** stated this section would require 0.5 FTE to perform the required tasks. The FTE will be responsible for coordinating efforts related to the outreach program. Activities will involve establishing definitions, program policy and guidelines, and determining resources for the program. Implementation efforts will involve coordinating financial and educational resources in accordance with the program guidelines. Responsibilities will include the development of educational information and webpage as a part of the outreach program.

Oversight notes, however, in response to similar legislation (HB 948 – 2021) the Missouri Department of Agriculture has stated this proposed legislation would not result in a fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight assumes the Missouri Department of Agriculture can absorb the responsibilities of the Socially Disadvantaged Communities Outreach Program with existing resources. Should the responsibilities of the Socially Disadvantaged Communities Outreach Program prove to be significant, the Missouri Department of Agriculture may seek additional FTE through the appropriation process.

Section 262.900 – Urban Agriculture Zones – Definitions

Oversight notes this section modifies the definition of “Blighted Area”.

Currently, the definition in Section 262.900 states a “Blighted Area” is “that portion of the city within which the legislative authority of such city determines that by reason of age, obsolescence, inadequate, or outmoded design or physical deterioration have become economic and social liabilities, and that such conditions are conducive to ill health, transmission of disease, crime or inability to pay reasonable taxes”.

This section modifies the definition so that “Blighted Area” becomes the same as defined in Section 99.805 (as modified – see Section 99.805 in this fiscal note).

Oversight will not show a net fiscal impact as a result of the changes made to the Urban Agriculture Zones laws. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 353.020 – Urban Redevelopment Corporations Law – Definitions

Oversight notes this section modifies the definition of “Blighted Area”.

Currently, the definition in Section 353.020 states a “Blighted Area” is “that portion of the city within which the legislative authority of such city determines that by reason of age, obsolescence, inadequate or outmoded design or physical deterioration have become economic and social liabilities, and that such conditions are conducive to ill health, transmission of disease, crime or inability to pay reasonable taxes”.

This section modifies the definition so that “Blighted Area” becomes the same as defined in Section 99.805 (as modified – see Section 99.805 in this fiscal note).

Oversight will not show a net fiscal impact as a result of the changes made to the Urban Redevelopment Corporations laws. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Legislation as a Whole

In response to the previous version of this proposed legislation, officials from the **Office of the Secretary of State (SOS)** noted many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. 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 SOS for administrative rules is less than \$5,000. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, 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 SOS can sustain with SOS's core budget. Therefore, 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 proposed legislation. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process.

In response to similar legislation (SB 82 – 2021), officials from the **Joint Committee on Administrative Rules** assumed this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules from this proposed legislation with existing resources.

Officials from the **Missouri Department of Public Safety – State Emergency Management Agency**, the **Missouri State Tax Commission**, and the **City of Claycomo**, do not anticipate this proposed legislation will cause a fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for this organization.

In response to the previous version of this proposed legislation, officials from the **Missouri Department of Social Services**, the **Missouri Department of Health and Senior Services**, the **City of Corder**, the **City of O'Fallon**, and the **City of Springfield** did not anticipate this proposed legislation will cause a fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for these organizations.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Revenue Reduction – Section 135.1610 - Tax Credit for Urban Farms 14-16</u>	\$0	<u>Up to (\$100,000)</u>	<u>Up to (\$100,000)</u>
ESTIAMTED NET EFFECT ON GENERAL REVENUE FUND	\$0	<u>Up to (\$100,000)</u>	<u>Up to (\$100,000)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Reduction</u> – Section 99.821 – Reduced Deposits Into Special Allocation Fund - p. 9-10	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Gain</u> – Section 99.821 – Deposits Not Deposited Into Special Allocation Fund (10%) Diverted To Strategic Infrastructure for Economic Growth Fund – p. 9-10	Unknown	Unknown	Unknown
<u>Revenue Gain</u> – Section 99.848 - Some Local Political Subdivisions/ Districts May See Larger Distributions – p. 11 - 12	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Revenue Reduction</u> – Section 99.848 - Some Local Political Subdivisions/ Districts May See Smaller Distributions – p. 11 - 12	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET FISCAL IMPACT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

This proposed legislation could positively impact any small business that establishes an urban farm, as such small business could qualify for a tax credit that would reduce or eliminate such small business's tax liability (Section 135.1610).

FISCAL DESCRIPTION

For all tax years beginning on or after January 1, 2022, this act authorizes a tax credit in an amount equal to fifty percent of a taxpayer's expenses incurred in the construction or development of an urban farm.

The tax credit shall not exceed \$5,000 for any single urban farm and shall not be transferable or refundable, but may be carried forward for three years. The total amount of tax credits authorized under this act shall not exceed \$100,000 in any calendar year.

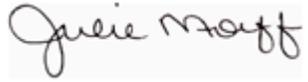
This act shall sunset after six years unless reauthorized by the General Assembly. (Section 135.1610)

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 – Budget & Planning Division
Missouri Department of Revenue
Missouri Department of Agriculture
Missouri Department of Social Services
Missouri Department of Health and Senior Services
Missouri State Tax Commission
Missouri Secretary of State's Office
Joint Committee on Administrative Rules
City of Claycomo
City of Corder
City of O'Fallon
City of Springfield

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Julie Morff
Director
May 13, 2021



Ross Strobe
Assistant Director
May 13, 2021