

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2087H.011
Bill No.: HB 1263
Subject: Emergencies; Business and Commerce; Fees; Taxation and Revenue - General;
Taxation and Revenue - Property
Type: Original
Date: March 7, 2023

Bill Summary: This proposal changes the law regarding businesses closed because of a shutdown order.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
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 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
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 2024	FY 2025	FY 2026
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 44.251 "Protecting Missouri's Small Businesses Act".

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would require a reduction of fees, personal property tax, and real property tax in political subdivisions with shutdown orders. Qualifying shut down orders must be made in response to a state of emergency declared by the Governor.

Beginning January 1, 2024, any political subdivision with a shutdown order that lasts for at least 21 consecutive days or 45 cumulative days must:

- Waive all business license fees during the shutdown order or six months, whichever is longer.
- Reduce real and personal property tax liabilities based on the number of days a business was closed due to the shutdown order.

This proposal would not:

- Waive individual license or certification fees related to the practice of a profession.
- Require the state to provide restitution or replacement revenue to the political subdivision.

For shutdown orders that end before June 1st, the county assessor must reduce the property tax liability for all real and personal property located within the boundaries of the shutdown order. The reduction shall be based on the number of days a business was closed due to the shutdown order. Affected taxpayers must then pay the reduced tax amount by December 31st.

For shutdown orders that end on or after June 1st, the taxpayer must pay the full property tax liability by December 31st. The county assessor must then provide information on how such taxpayer may apply for a refund. The taxpayer must apply for a tax refund by January 15th. The county assessor must then calculate the allowable refund amount by February 15th and pay all refund claims by March 15th.

B&P notes that Section 44.251.4(2) requires business owners that rent or lease their real property distribute the property tax savings to all renters and lessors.

B&P further notes that it is unclear whether this proposal would impact state property tax levies, if there were a statewide shutdown order. B&P also notes that the Blind Pension Trust Fund levies a \$0.03 per \$100 assessed value property tax on all real and personal property located within Missouri.

B&P is unaware of any restrictive public health orders currently in effect. Therefore, this proposal may have an unknown impact on state and local revenues in the future.

B&P notes the following concerns with the proposed language:

- State Impact
 - It is unclear whether this proposal would impact state property tax levies, if there were a statewide shutdown order. Section 44.251.2(2) includes orders by the state within the definition of “shutdown order”.

Therefore, B&P assumes that if there were a statewide shutdown order, state revenues would be impacted through the reduction in license fees as well as reductions in real and personal business property.

- Business License Fees
 - Section 44.251.4(1)(a) would require political subdivisions to waive business license fees for six months for any shutdown order that lasts less than 180 days. If a business is closed due to a shutdown order for 22 consecutive days, the political subdivision must still waive the fees for the full 180 days.

B&P further notes that the last sentence Section 44.251.4(1)(a) allows business license fees to be prorated, but the language provides no information as to how they may be prorated. B&P assumes that the license fees may be prorated for the remaining six months (or less depending on the length of the closure) of the year. B&P further assumes that the license fees may not be prorated to account for only the days a business was actually closed (if less than six months).

- Property Taxes – Shutdown orders ending before June 1st
 - B&P notes that this proposal does not provide information on what would happen if a taxpayer paid the reduced tax after December 31. It is unclear whether the taxpayer would be assessed interest and penalties on the reduced tax liability or on the full tax liability.
 - In addition, because the language is vague, it is also unclear if taxpayers would be liable for the full tax amount (amount before reduction) if they pay the tax liability after December 31st.
- Property Taxes – Shutdown orders ending on or after June 1st
 - B&P notes that it is unclear what would happen if a taxpayer paid the tax liability after December 31st. Whether a late payment would disqualify such taxpayer from receiving a refund, or whether interest and penalties would be assessed on the full tax liability or the remaining tax liability accounting for the refund amount.
 - B&P further notes that one month may not be enough time for a county assessor to review and calculate the eligible refund amount for all refund claims within that county. B&P notes that as of 2019, the median number of businesses per county was 385 and there were 25 counties with over 1,000 businesses.

Officials from the **Jackson County Assessor** assume this proposed legislation could have a significant negative impact on County and other taxing jurisdiction's operations if the County were required to adjust property tax amounts for days closed due to public health order. This fiscal impact could be measured in the millions of dollars when applied across all taxing jurisdictions such as school districts and fire protection districts.

In 2020, Jackson County asked for the closure of all businesses deemed non-essential only after receiving guidance from the state Department of Health and federal Center for Disease Control (CDC). As soon as those closure recommendations changed at the federal and state levels, Jackson County eliminated its closure guidelines. A future national public health or public safety emergency may require the temporary closure of certain facilities to maintain public safety. Jackson County and its taxing jurisdictions should not be penalized for acting in the best interest of public health or safety.

Officials from the **City of Kansas City** note this legislation could have a negative fiscal impact on Kansas City in an indeterminate amount if it were liable under the provisions of this legislation.

Officials from the **City of Springfield** anticipates a possible negative fiscal impact from this bill if the City ever needed to issue a shut-down order.

Officials from the **State Tax Commission** and the **Department of Social Services** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

For purposes of this fiscal note, **Oversight** assumes this proposal would not impact the Blind Pension Fund. If this assumption is incorrect, it could substantially alter the impact provided in this fiscal note.

Oversight will present an impact on this fiscal note as a \$0 (no shutdown order in implemented) to an unknown loss in revenue to local political subdivisions for the reduced property tax revenues and the waived business license fees.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Reduction</u> - §44.251 – Reduction in real and personal property tax revenues in the event of a shutdown order	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Reduction</u> - §44.251 – Waiving of business license fees in the event of a shutdown order	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

FISCAL IMPACT – Small Business

This proposal could impact small businesses that may be shut down by waiving and reimbursing business license fees.

FISCAL DESCRIPTION

This bill establishes the "Protecting Missouri's Small Businesses Act". This bill requires the state of Missouri and its political subdivisions to give careful consideration and appropriate concern for the lasting effects of actions taken during a state of emergency that adversely affect the economic viability and wellbeing of Missourians and businesses.

The bill provides that beginning January 1, 2024, if any political subdivision with jurisdiction over a business, implements any shutdown order(s) after the Governor declares a state of emergency, and the business closes due to the shutdown order for at least 21 consecutive days or at least 45 cumulative days, the following requirements apply:

- (1) Waiving of any fee for a business license during the period of the shutdown order(s) or six months, whichever is longer; and
- (2) Reducing the real and personal property tax liability of the business based on the number of days the business was shut down in a given year, as further explained in the bill.

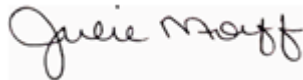
If a taxpayer rents or leases all or a portion of the taxpayer's affected real property to one or more renters or lessors, the taxpayer shall do a pro rata distribution of the amount by which the tax liability is reduced, to the renters or lessors who are current on all lease or rental payments.

This bill is not to be construed as an exemption of property from taxation that requires the state to provide restitution or replacement of lost revenues to a political subdivision.

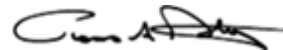
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning
State Tax Commission
Department of Social Services
Jackson County Assessor
City of Kansas City
City of Springfield



Julie Morff
Director
March 7, 2023



Ross Strobe
Assistant Director
March 7, 2023