

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4483S.04T
 Bill No.: Truly Agreed To and Finally Passed SS for HB 2062
 Subject: Business and Commerce; Cities, Towns, and Villages; Counties; County Government; Landlords and Tenants; Political Subdivisions; Property, Real and Personal; Taxation and Revenue - General
 Type: Original
 Date: June 17, 2024

Bill Summary: This proposal modifies provisions relating to the use of real property.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue	Up to (\$726,529)	Up to (\$1,338,256)	Up to (\$1,964,709)
Total Estimated Net Effect on General Revenue	Up to (\$726,529)	Up to (\$1,338,256)	Up to (\$1,964,709)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Blind Pension Fund*	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Economic Development Advancement Fund (0783)	Up to \$1,322	Up to \$22,221	Up to \$46,666
Historic Preservation Revolving Fund (0430)	(\$68,033)	(\$78,776)	(\$80,352)
Total Estimated Net Effect on <u>Other</u> State Funds	Could exceed (\$66,711)	Could exceed (\$56,555)	Could exceed (\$33,686)

* **Oversight** does not have enough information to determine which localities would choose to opt-in or which properties and the amount of delinquency would subsequently be impacted. Oversight assumes the \$250,000 impact threshold to the Blind Pension Fund would not be met from this proposal.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Natural Resources Federal Fund (0142)	(\$136,066)	(\$157,553)	(\$160,704)
Total Estimated Net Effect on <u>All</u> Federal Funds	(\$136,066)	(\$157,553)	(\$160,704)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue Fund- DED	1 FTE	1 FTE	1 FTE
Economic Development Advancement Fund (0783) - DNR	Less than .3 FTE	Less than .3 FTE	Less than .3 FTE
Historic Preservation Revolving Fund (0430) - DNR	.9 FTE	.9 FTE	.9 FTE
Federal Fund – Natural Resources (0142) - DNR	1.8 FTE	1.8 FTE	1.8 FTE
Total Estimated Net Effect on FTE	Less than 4 FTE	Less than 4 FTE	Less than 4 FTE

- 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 2025	FY 2026	FY 2027
Local Government	Unknown (Unknown)	Unknown (Unknown)	Unknown (Unknown)

FISCAL ANALYSIS

ASSUMPTION

§44.251 – Protecting Missouri’s Small Businesses Act

Officials from the **Office of Administration - Budget and Planning (B&P)** assume 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 caused by reasons outside of a business’ control.

Beginning January 1, 2025, 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.
- 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 **Department of Revenue (DOR)** state beginning January 1, 2025, should a local political subdivision institute a business shutdown order that lasts at least 14 consecutive days or 30 days cumulative, the political subdivision will be required to do the following:

- Waive all business fees owed to the political subdivision during the shutdown period.
- Reduce all real and personal property tax liability by the number of days businesses were closed.

DOR notes that this proposal is in regard to locally paid fees and property tax which are not handled by DOR. Therefore, this proposal will not fiscally impact DOR.

Officials from **Kansas City** assume a negative fiscal impact of an indeterminate amount.

Officials from the **Department of Social Services**, the **Newton County Health Department**, the **Kansas City Police Department**, the **St. Louis County Police Department**, the **Branson Police Department**, **Northwest Missouri State University** and the **State Tax Commission** each assumed the proposal would 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.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities, counties, county assessors, local law enforcement agencies, fire protection districts, ambulance districts, school districts and colleges were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

For fiscal note purposes, **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 reflect a fiscal impact of \$0 (no shutdown order is implemented) or an unknown loss in revenue to local political subdivisions for the reduced property tax revenues and the waived business license fees.

§67.288 – Electric Vehicle Charging Stations

Oversight assumes this proposal would have no local fiscal impact without action taken by the governing body of a local political subdivision to adopt an ordinance, resolution, regulation, code or policy requiring the installation of electric vehicle stations. Oversight does not know of any governing bodies that have approved such an ordinance. Until that action is taken by a local political subdivision, Oversight will assume a \$0 direct fiscal impact to local political subdivisions.

Officials from the **Office of Administration - Budget and Planning**, the **Missouri Department of Agriculture**, the **Department of Economic Development** and the **Missouri Department of Transportation** 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.

§§140.010, 140.190, 140.250, 140.420, 140.984, 140.988, 140.994, 141.250, 141.410, 141.500, 141.620, 141.984 – Collection of Certain Delinquent Taxes

Oversight notes §140.988.5 states the county collector may collect a fee for the collection of delinquent and back taxes of up to 5% on all sums collected if the county has established a land bank agency. All fees collected shall be paid to the land bank agency. Oversight assumes this would be additional revenue for the county and therefore will reflect a \$0 to positive unknown fiscal impact to counties.

Oversight notes in §141.500, subsections 2 & 3, have the potential for additional mail costs to be expensed by the county collector. Oversight assumes the county collector is provided with core funding to handle a certain amount of activity each year. Oversight assumes the county collector could absorb the costs related to this proposal.

§§140.980, 140.981, 140.982, 140.983, 140.985, 140.986, 140.987, 140.991, 140.995, 140.1000, 140.1009, 140.1012, 141.220, 141.230, 141.270, 141.290, 141.300, 141.320, 141.330, 141.360, 141.440, 141.520, 141.535, 141.540, 141.550, 141.560, 141.570, 141.580, 141.610, 141.680, 141.700, 141.821, 141.980, 141.1009, 141.1020 & 249.255 – Land Bank Agencies

Officials from the **Office of Administration - Budget and Planning (B&P)** assume in regards to Chapter 140, RSMo, & Section 249.255: This bill modifies provisions related to how land banks are established and operated, purchase and sell property that is delinquent on taxes and distribute funds from the sale of those properties, how county collectors and land tax attorneys are compensated by the county and land bank located within the county, how suits and petitions are brought forward for the foreclosure of tax liens on properties, and how counties and municipalities sell properties that are tax delinquent. It also repeals sections on the collection of delinquent taxes and the sale of delinquent tax properties. B&P notes that qualifying localities may opt-in to this program. B&P does not have enough information to determine which localities would choose to opt-in or which properties and the amount of delinquent tax would subsequently be impacted. Therefore, to the extent that this proposal impacts delinquent tax collections, this proposal may impact TSR and the Blind Pension Trust Fund by an unknown amount.

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume an unknown negative fiscal impact for this proposal. The Division of Employment Security (DES) has liens placed upon certain properties due to unpaid unemployment overpayments. This is based on the number of properties per year to be remitted to counties upon the unsuccessful third auction of the property as outlined in the bill.

Oversight does not have information to the contrary and therefore, Oversight will reflect a \$0 to negative unknown amount as provided by the DOLIR & B&P for the Blind Pension Trust Fund. Oversight assumes the \$250,000 threshold would not be met.

Officials from **Kansas City** assume a negative fiscal impact of an indeterminate amount.

Oversight does not have information to the contrary; therefore, Oversight will reflect a \$0 to a negative unknown amount to local political subdivisions.

Officials from the **Department of Commerce and Insurance**, the **Department of Economic Development**, the **Department of Revenue**, the **Department of Social Services**, the **Missouri Department of Agriculture**, the **Missouri Department of Conservation**, the **Office of the State Treasurer** and the **State Tax Commission** 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.

§§253.544, 253.545, 253.550, 253.557 & 253.559 – Missouri Historic, Rural Revitalization, and Regulatory Streamlining Act

Officials from the **Department of Economic Development (DED)** assume the following regarding this proposal:

§253.544 creates the Missouri Historic, Rural Revitalization and Regulatory Streamlining Act.

This legislation revises the Historic Preservation Tax Credit. Increases tax credit to 35% for applicants not participating in the Missouri Low Income Housing Tax Credit Program and eligible single family housing located in a qualifying area, and adds non-profit entities to the definition of eligible recipients. Allows for 10% of the total costs of rehabilitation to be incurred prior to application.

§53.500 Subsection 5. This new language keeps a single-resource certified historic structure of more than one million gross square feet with a Part I approval or on the National Register before January 1, 2024, in the program cap, however if the project tax credit exceeds sixty million dollars, the total amount of tax credits for such project shall be spread over a period of six years with one-sixth of such amount allocated each year.

There are currently two buildings that meet this criterion; Railway Exchange Building at 1.2M square feet and ATT Building at 1.4M square feet. Based on information DED has; Railway Exchange could be \$70-\$90 million in Missouri Historic Tax Credits. DED's best guess estimate for ATT is that it would be at least \$70-\$90 million since the projects will be similar, however, ATT is more square feet. The total amount of HTC issued could potentially be \$140-\$180 million spread over six fiscal years, per statute. (Estimated \$23-\$30 million per fiscal year for six fiscal years total.)

DED does not know when they will receive application for either project. Based on other large projects, it could take 5-8 years from time of application to time of tax credit issuance and therefore redemption of the tax credits. If DED receives an application in FY 25, it may be FY 30 before tax credits are issued.

Allows for projects located within a qualified census tract to be authorized out of \$90M cap after the \$30M QCT-only cap has been met in a given fiscal year.

Instructs the Department to allow application submission year-round. Allows for properties with a federal Part 1 application or draft national register of historic places nomination submission to the state historic preservation office to be eligible for application to the program. Adjusts evaluation criteria for projects equal to or more than \$300,000, and adds vacant schools or theaters to the projects that are not subject to evaluation criteria.

Allows for third party review to determine whether proposed rehabilitation satisfies the qualified rehabilitation standard. Creates standards processing time requirements for processing projects, including determination of project's alignment with rehabilitations standards within 90 days of filing of application the legislation includes a provision that would require DED to issue 75% of the credit within 120 days. Includes requirements for the approval and issuance of tax credits for phased projects. Modifies the commencement of rehabilitation limitations to 10% within 18 months of the date of approval.

DED assumes the need for **1.0 FTE** to oversee all the additional requirements this legislation would add to the Historic Preservation Tax Credit.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DED.

Oversight notes subsection 253.550.5 states that companies may obtain funds if the project was identified prior to January 1, 2024. In addition, subsection 5 states that any such project costing more than \$60 million must be paid out over 6 years, in 1/6 increments of the overall company costs for such a project (i.e. \$180 million = \$30 million annually). Therefore, Oversight will reflect a \$0 fiscal impact for this subsection because any company with a project over 1 million square feet will be able to redeem the tax credits within the already established cap.

Oversight notes Section 253.545(15) allows for vacant schools and theaters to be added to the tax credits that are significant in the history, architecture, archaeology, or culture of this state or its communities, as designated by the governing body of a county.

Oversight notes the approved expenditures (submitted by DED) in the previous three years below:

	FY 2020 ACTUAL	FY 2021 ACTUAL	FY 2022 ACTUAL	3 year Average
Certificates Issued (#)	191	123	99	138
Projects/Participants (#)	145	131	68	115
Amount Authorized	\$108,876,423	\$127,744,892	\$149,870,361	\$ 128,830,559
Amount Issued	\$113,974,282	\$119,310,869	\$68,752,030	\$ 100,679,060
Amount Redeemed	\$118,211,637	\$106,311,497	\$97,637,449	\$ 107,386,861

Oversight notes, currently Section 620.1900.2(2) allows DED to collect 4% in fees from the tax credits. This proposal allows for adjustments by CPI, thus increasing the amount in potential fee collections to the Economic Development Advanced Fund. Therefore, Oversight will reflect an increase in revenue to the Economic Development Advance Fund in the fiscal note.

For informational purposes, Oversight shows the impact as follows:

Increase / FY	2025	2026	2027
Increase in \$30 million cap for inflation	\$600,000	\$1,212,000	\$1,836,240
Total	\$600,000	\$1,212,000	\$1,836,240
4% fee	\$24,000	\$48,480	\$73,450

For informational purposes, Oversight has provided the following activity in the Economic Development Advancement Fund (0783) over the past three fiscal years:

Fiscal Year	Fee's Paid (rounded to nearest dollar)
FY 2023	\$5,922,240
FY 2022	\$5,457,013
FY 2021	\$5,801,164

Oversight notes the above fees include the 2.5% and 4% fee collected throughout the given period, and officials from DED note the balances (fees collected from tax credits) are not broken out by individual programs.

Officials from the **Department of Revenue (DOR)** assume the following regarding this proposal:

These sections rename the Historic Preservation Tax Credit Program to the Missouri Historic, Rural Revitalization and Regulatory Streamlining Act. Renaming the tax credit program will not have a fiscal impact on the Department.

For informational purposes, the Department is providing information on the Historic Preservation tax credit. It was created in 1997 and currently has an annual cap of \$120 million with \$30 million of that cap reserved for specific types of projects and no limit on homeowner claims. Homeowners can receive up to \$250,000/\$275,000 per project (existing language conflicts on the amount). This is the total amount of credits authorized, issued and redeemed in recent years.

Year	Authorized	Issued	Total Redeemed
FY 2023	\$149,870,361.07	\$68,752,030.02	\$97,637,448.50
FY 2022	\$127,701,891.25	\$119,310,869.31	\$106,311,497.14
FY 2021	\$108,876,422.99	\$113,974,281.81	\$118,211,637.42
FY 2020	\$134,740,008.39	\$108,648,413.83	\$88,487,136.31
FY 2019	\$149,232,242.59	\$95,790,454.95	\$54,566,148.49
FY 2018	\$151,542,287.87	\$37,275,810.30	\$56,483,070.60
FY 2017	\$154,152,769.59	\$85,136,858.50	\$49,742,926.72
FY 2016	\$90,749,410.21	\$59,590,350.87	\$57,496,338.08
FY 2015	\$97,136,286.75	\$53,206,337.42	\$47,638,885.69
FY 2014	\$146,635,428.72	\$41,791,636.18	\$59,829,670.95
FY 2013	\$93,923,651.90	\$71,495,993.81	\$78,483,650.67
FY 2012	\$98,591,345.91	\$105,272,650.95	\$133,937,746.83
TOTALS	\$1,503,152,107.24	\$960,245,687.95	\$948,826,157.40

It should be noted that \$90 million of the current \$120 million cap is allowed to be inflation adjusted annually. However, the House Budget Committee as part of their annual review of the tax credits, has limited the authorization to just \$120 million annually since fiscal year 2020. Therefore the \$90 million credit remains at \$90 million.

This proposal adds that the \$30M portion of the cap can also be inflation adjusted using the Consumer Price Index annually. Therefore, these credits could result in an additional loss to General Revenue in future years if inflated. For fiscal note purposes, when doing inflation adjustments, DOR uses a 2% inflation factor for each year. Therefore, DOR could expect the cap on this portion of the program to increase as follows:

Fiscal year	Cap	Difference
2024	\$30,000,000	\$0
2025	\$30,600,000	(\$600,000)
2026	\$31,212,000	(\$612,000)
2027	\$31,836,240	(\$624,240)
2028	\$32,472,965	(\$636,725)
2029	\$33,122,424	(\$649,459)
2030	\$33,784,872	(\$662,448)

However, it should be noted that at the House Budget Committee meeting on May 16, 2024, the committee again limited the total authorizations of the Historic Preservation Tax Credit to \$120 million for FY 2025. Therefore, no increased impact to the state is expected in FY 2025. DOR will show the impact as \$0 to the calculated amount for future years.

Year Adjustment Allowed	Cap	Difference
2025	\$30,000,000	\$0
Year 1	\$30,600,000	(\$600,000)
Year 2	\$31,212,000	(\$612,000)
Year 3	\$31,836,240	(\$624,240)
Year 4	\$32,472,965	(\$636,725)
Year 5	\$33,122,424	(\$649,459)
Year 6	\$33,784,872	(\$662,448)

DOR assumes these changes would become effective on August 28, 2024. Therefore, the first tax returns reporting the changes in the tax credit will be filed starting January 1, 2025.

This proposal allows historic structures of over 1 million square feet to qualify for the credit. They are subject to the \$90 million dollar cap (§253.550.2) and if their project is eligible for more than \$60 million dollars, they are to have their credit spread out over six years. However, the language goes on to say the taxpayer can file a statement with DED to claim the entire tax credit awarded within the first three fiscal years.

DOR defers to DED on the number of buildings that would qualify under this provision. DOR notes that they allow the redemption of credits if a person has a valid certificate to claim credits and an outstanding tax liability. DOR defers to DED on an estimate of how much these buildings could redeem and in which upcoming fiscal years.

This proposal in Section 253.559.5 would allow previous recipients of the Historic Preservation credit to come back and try to receive additional credits on projects since August 28, 2018.

If DED were to issue additional credits, this could result in taxpayers needing to file amended returns for tax years 2018 to 2024. This would result in additional time to process these returns. DOR defers to DED on the number of projects that may be eligible to come back and receive additional credits and the amount they may receive.

This proposal makes additional changes to the application process and location of projects. This credit is administered by the DED. DOR defers to DED for impact from these changes.

These changes will require DOR to update the MO-TC tax credit form, website and computer programming. This is estimated to cost **\$8,923**.

Oversight notes the \$30 million inflation adjustment is cumulative; therefore, Oversight will reflect adjusted amounts to DOR's amounts in the fiscal note.

Year	\$30 Million Base	Adjusted *cumulative* amount
Base year	30,000,000	\$ 0
2025	30,600,000	\$ 600,000
2026	31,212,000	\$ 1,212,000
2027	31,836,240	\$ 1,836,240

Officials from the **Department of Natural Resources (DNR)** assume the following regarding this proposal:

§259.559.4.(1) - The department shall promptly notify the State Historic Preservation Office (SHPO) of each preliminary application for tax credits. After receipt of such notice, the SHPO shall determine whether a rehabilitation satisfies the qualified rehabilitation standards within sixty days of a taxpayer filing an initial application for tax credits. The determination shall be based upon evidence that the rehabilitation will meet qualified rehabilitation standards, and that evidence shall consist of one of the following:

An additional **2-3 FTE** SHPO staff will be necessary to maintain a mandated review period of 60 days. The SHPO currently is unable to review the current workload of tax credit applications within a 60 day period. As the historic tax credit program continues to see an increase in applications and more rehabilitation projects must be evaluated for their compliance with the Secretary of the Interior (SOI) Standards, the program will see an increase in rehabilitation reviews. Presently, the Architectural Preservation Services (APS) Unit is comprised of four FTEs and is utilizing the services of one TSL, and several contracted reviewers.

The unit remains focused on tax credit applications from rehabilitation projects although there are other expectations of this unit and the staff struggle to fulfill those other duties (i.e., monitoring preservation easements, developing scope of work for historic properties, providing technical advice for non-HTC projects, etc.) due to the tax credit workload.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DNR.

Officials from the **Department of Commerce and Insurance (DCI)** assume a potential unknown decrease of premium tax revenues (up to the tax credit limit established in the bill) in FY 2025, FY 2026 and FY 2027 as a result of the modifications to the Historic Preservation Tax credit. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year and which insurers will qualify for the modified tax credit.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume Sections 253.544, 253.545, 253.550, 253.557, & 253.590 modifies the Historic Preservation Tax Credit Act.

Additionally, Section 253.550.5 provides an exception for certified historic structures more than 1M square feet or on the National Register started before January 1, 2024.

Conversely, to the extent this proposal encourages other economic activity, General and Total State Revenues may increase, but B&P cannot estimate the induced revenues.

B&P notes that the three-year average of authorizations is \$130,949,558.

§436.337 – Home Inspections

Officials from the **Department of Commerce and Insurance**, the **Department of Economic Development**, the **Office of the State Courts Administrator** and the **City of Kansas City** 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.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

§442.404 – Binding Agreements Regarding Pasturing of Chickens

Officials from the **Missouri Department of Agriculture**, the **Department of Economic Development**, the **Department of Labor and Industrial Relations** and the **City of Kansas City** 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.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

§§534.602, 534.604 & 569.200 – Unlawful Occupants and Criminal Mischief

Officials from the **Missouri Office of Prosecution Services (MOPS)** assume the proposal would have no measurable fiscal impact on MOPS. The enactment of new crimes [534.604.3 and 569.200] creates additional responsibilities for county prosecutors and the circuit attorney which may, in turn, result in additional costs, which are difficult to determine.

Officials from the **Office of State Courts Administrator (OSCA)** state there may be some impact but there is no way to quantify that currently. Any significant changes will be reflected in future budget requests.

Officials from the **Department of Corrections**, **Missouri Highway Patrol** and **Office of the State Public Defender** 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.

Oversight notes the provisions of this proposal state the sheriff is entitled to the same fee for the service of the ex parte order that is currently being charged for serving a writ of possession under section 57.280. Additionally, the property owner or authorized agent may request that the sheriff stand by to keep the peace while the owner changes locks and/or removes personal property of the unlawful occupant(s). If requested, the sheriff may charge a reasonable hourly rate for this service. Oversight assumes this will have a minimal fiscal impact on sheriff's departments and will not present an impact for fiscal note purposes.

Officials from the Attorney General's Office did not respond to **Oversight's** request for fiscal impact for this proposal.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities, counties, circuit clerks, and local law enforcement were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

§535.012 – Moratorium on Evictions

Officials from the **Office of the State Courts Administrator** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Officials from the **City of Kansas City** assume this proposal could have a negative fiscal impact because the moratorium on evictions helps prevent a potential increase in homelessness that ends up costing the city in homeless services.

Oversight is unable to determine any direct fiscal impact to the City of Kansas City; therefore, Oversight will not reflect a fiscal impact.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

§640.144 – Hydrant Inspection Program

Officials from the **Department of Natural Resources** assumed the proposal would have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Officials from the **Morgan County Public Water Supply District #2** assume there will be a fiscal impact but did not indicate what that impact would be.

Officials from the **St. Charles County Public Water Supply District #2** and **South River Drainage District** 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.

Oversight assumes there will be no fiscal impact to water companies/districts as a result of this proposal. Oversight notes the proposal changes the testing of every hydrant in the community water system to “scheduled” rather than “annual”.

Oversight assumes local political subdivisions will incur a savings as a result of this proposal; therefore, Oversight will reflect an “Unknown” fiscal impact.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The 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 the SOS for Administrative Rules is less than \$5,000.

The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the 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 the office can sustain with its core budget.

Therefore, the 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.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE FUND			
<u>Reduction in Revenue – CPI adjustment of \$30M in tax credit awards for approved projects (§253.550) p. 12</u>	Up to (\$600,000)	Up to (\$1,212,000)	Up to (\$1,836,240)
<u>Costs – DOR Section (§253.559) p. 12</u>	(\$8,923)	\$0	\$0
<u>Costs – DED Section (§253.559) p. 8</u>			
Personnel Service	(\$62,220)	(\$76,157)	(\$77,680)
Fringe Benefits	(\$36,265)	(\$44,077)	(\$44,646)
Expense & Equipment	(\$19,121)	(\$6,022)	(\$6,143)
<u>Total Costs – DED</u>	<u>(\$117,606)</u>	<u>(\$126,256)</u>	<u>(\$128,469)</u>
FTE Change	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>Up to</u> <u>(\$726,529)</u>	<u>Up to</u> <u>(\$1,338,256)</u>	<u>Up to</u> <u>(\$1,964,709)</u>
Estimated Net FTE Change on the General Revenue Fund	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
ECONOMIC DEVELOPMENT ADVANCEMENT FUND (0783)			
<u>Revenue</u> – DED - 4% fees collected by DED (§253.559) p. 9	Up to \$24,000	Up to \$48,480	Up to \$73,450
<u>Costs</u> – DNR - Section (§253.559) p. 12			
Personnel Service	(\$13,000)	(\$15,912)	(\$16,230)
Fringe Benefits	(\$7,829)	(\$9,582)	(\$9,774)
Expense & Equipment	(\$1,849)	(\$765)	(\$780)
<u>Total Costs</u> – DNR	(\$22,678)	(\$26,259)	(\$26,784)
FTE Change	Less than .3 FTE	Less than .3 FTE	Less than .3 FTE
ESTIMATED NET EFFECT ON THE ECONOMIC DEVELOPMENT ADVANCEMENT FUND	<u>Up to \$1,322</u>	<u>Up to \$22,221</u>	<u>Up to \$46,666</u>
Estimated Net FTE Change on the Economic Development Advancement Fund	Less than .3 FTE	Less than .3 FTE	Less than .3 FTE
HISTORIC PRESERVATION REVOLVING FUND (0430)			
<u>Costs</u> – DNR - (§253.559) p. 12			
Personnel Service	(\$39,000)	(\$47,736)	(\$48,691)
Fringe Benefits	(\$23,486)	(\$28,747)	(\$29,322)
Expense & Equipment	(\$5,547)	(\$2,294)	(\$2,340)
<u>Total Costs</u> – DNR	(\$68,033)	(\$78,776)	(\$80,352)
FTE Change	.9 FTE	.9 FTE	.9 FTE
ESTIMATED NET EFFECT ON THE HISTORIC PRESERVATION REVOLVING FUND	<u>(\$68,033)</u>	<u>(\$78,776)</u>	<u>(\$80,352)</u>
Estimated Net FTE Change on the Historic Preservation Revolving Fund	.9 FTE	.9 FTE	.9 FTE

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
NATURAL RESOURCES FEDERAL FUND (0140)			
<u>Costs – DNR - (\$253.559) p. 12</u>			
Personnel Service	(\$78,000)	(\$95,472)	(\$97,381)
Fringe Benefits	(\$46,972)	(\$57,493)	(\$58,643)
Expense & Equipment	(\$11,094)	(4,588)	(\$4,679)
<u>Total Costs – DNR</u>	<u>(\$136,066)</u>	<u>(\$157,553)</u>	<u>(\$160,704)</u>
FTE Change	1.8 FTE	1.8 FTE	1.8 FTE
ESTIMATED NET EFFECT ON THE NATURAL RESOURCES FEDERAL FUND	<u>(\$136,066)</u>	<u>(\$157,553)</u>	<u>(\$160,704)</u>
Estimated Net FTE Change on the Natural Resources Federal Fund	1.8 FTE	1.8 FTE	1.8 FTE
BLIND PENSION FUND			
<u>Loss –DSS – potential delinquent tax collections from Land Bank Agencies (Chapter 140 & §249.255) p. 6-7</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue</u> – Counties - potential fees charged for the collection of delinquent and back taxes of up to 5% (§140.988.5) p. 6	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Revenue Reduction</u> - Reduction in real and personal property tax revenues in the event of a shutdown order (§44.251) p. 5	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Reduction</u> - Waiving of business license fees in the event of a shutdown order (§44.251) p. 5	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Savings</u> – testing of hydrants on a scheduled basis rather than an annual basis (§640.144) p. 15	Unknown	Unknown	Unknown
<u>Loss</u> – Cities and Counties – all taxes, fines and fees on real estate are considered satisfied once property is transferred to Land Bank (§140.984) p. 7	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>Unknown</u> (Unknown)	<u>Unknown</u> (Unknown)	<u>Unknown</u> (Unknown)

FISCAL IMPACT – Small Business

§44.251 - This proposal could impact small businesses that may be shut down by waiving and reimbursing business license fees and reducing/refunding taxes owned on real and personal property.

§67.288 - There could be a positive direct fiscal impact to small businesses if a local political subdivision adopts (and pays for) an ordinance, resolution, regulation, code or policy that requires installation of electric vehicle charging stations.

§436.337 - Small business home inspectors could be impacted by this proposal.

§441.043 - Small businesses who operate rental properties could be impacted as a result of this proposal.

§535.012 - Small real estate rental companies could be impacted as a result of this proposal.

FISCAL DESCRIPTION

This act modifies provisions relating to the use of real property.

This act establishes the "Protecting Missouri's Small Businesses Act" which provides that any political subdivision that implements any shutdown order and the business closes solely due to such shutdown order for at least 14 consecutive days or 30 cumulative days shall waive the fee for a business license during the period of the shutdown order and reduce the real and personal property tax liability of the business as provided in the act. This act is not an exemption of property from taxation and any action taken by a political subdivision that results in a refund or revenues lost shall be construed as an exercise of the political subdivision's authority to levy and collect local tax revenues. (Section 44.251)

The act provides that any political subdivision that adopts an ordinance or regulation that requires installation of electric vehicle charging stations shall pay all costs associated with the installation, maintenance, and operation of such stations. No political subdivision shall adopt any ordinance or regulation that requires more than five such stations per parking lot, or infrastructure for future installation of more than five such stations per parking lot. Such ordinances and regulations shall only apply to parking lots with more than thirty parking spaces.

The act shall not prohibit private entities from paying for the installation, maintenance, and operation of electric vehicle charging stations. (Section 67.288)

This act authorizes a county or municipality to adopt a resolution to collect delinquent taxes pursuant to the Land Tax Collection Law, currently only applicable to charter counties and Clay and Buchanan Counties. (Section 140.010, 141.220 and 141.230)

This act allows a county collector to preclude a prospective bidder from participating in the sale of lands with delinquent taxes if such prospective bidder is delinquent on his or her property tax payments. (Section 140.190)

This act provides that the state and other taxing authorities and lienholders shall be foreclosed from any unclaimed right, title, interest, claim, or equity of redemption in or to the land and of any lien upon the land upon the expiration of the right to redeem. (Section 140.420)

Current law provides for salaries to be paid to land tax attorneys and delinquent land clerks appointed by the county collector. This act provides that such compensation shall be determined by the collector. (Section 141.320 and 141.330)

Current law requires certain information to be listed in a petition for the foreclosure of a tax lien. This act adds certain identifying information of the petitioners and any person with a legal interest in the parcel of land affected by the suit. The collector shall prepare and send by first-class mail a copy of the petition within thirty days after the filing of the petition to the occupant of the parcel. (Section 141.410, 141.440, and 141.500)

This act requires a collector to obtain a title search for all conveyances, liens, and charges against the real estate involved in a delinquent tax sale, and requires a sheriff to meet certain notice requirements prior to the sale. (Section 141.520)

This act modifies provisions relating to the procedure of selling delinquent property, including the date of sales for partial opt-in counties, requiring a non-reimbursable \$200 bidder fee, and a requirement that prospective bidders submit an affidavit attesting that such bidder meets all statutory requirements. No person shall be eligible to bid unless the person has demonstrated to the satisfaction of the applicable official that the person is not the owner of any real property with two or more violations of the municipality's building or housing codes. (Section 141.550)

This act requires a court to hold a hearing to confirm or set aside a foreclosure sale within six months after the sheriff sells any parcel of real estate. The court's judgment shall include a finding that adequate notice was provided. This act allows the proceeds of a land sale in partial opt-in counties to be distributed to the school fund for the county, and also allows a county to allocate a portion of its share of proceeds to a fund for the purposes of defending against claims of insufficiency of notice. (Section 141.580)

This act requires opt-in and partial opt-in counties to establish a land trust for the management, sale, and other disposition of tax delinquent lands. (Section 141.700 and 141.821)

This act repeals provisions of law relating to land tax collections in St. Louis City. (Sections 141.820 to 141.970)

This act changes the title of the "Land Bank Act" to the "Chapter 140 Land Bank Act" and authorizes St. Louis County and any municipality with more than 1,500 inhabitants and not located in St. Louis County to establish a land bank. (Section 140.980 to 140.981)

The act requires any county establishing a land bank agency to appoint members to a board of directors, as described in the act. (Section 140.982)

This act provides that all taxes, special taxes, fines, and fees on real estate shall be deemed satisfied by transfer to a land bank agency. (Section 140.984)

This act repeals provisions relating to the distribution of proceeds of property disposed of by a land bank agency. (Section 140.985)

This act prohibits a foreign or domestic corporation or limited liability company that has failed to appoint or maintain a registered agent from buying property from a land bank agency. A land bank agency may condition the sale of a property by requiring the purchaser to make certain improvements to the parcel. (Section 140.987)

A county that has established a land bank agency may collect a fee for the collection of delinquent and back taxes in an amount up to five percent of all collections, which shall be paid to the land bank agency. (Section 140.988)

This act authorizes the governing body of the county or municipality establishing a land bank agency to issue bonds, as described in the act. (Section 140.994)

This act applies conflict of interest provisions to members of a land bank agency board in addition to employees of the land bank agency. (Section 140.1000)

This act authorizes any municipality located wholly or partially within an opt-in county to establish a land bank pursuant to current provisions of law that apply only to the city of St. Joseph. (Sections 141.980 to 141.1009)

This act names the historic preservation tax credit the "Missouri Historic, Rural Revitalization, and Regulatory Streamlining Act".

Current law authorizes a tax credit for rehabilitation expenses incurred for the rehabilitation of certain properties, and requires such rehabilitation to meet the standards as determined by the State Historic Preservation officer of the Missouri Department of Natural Resources. Ten percent of such rehabilitation costs may be incurred for investigative assessments and building stabilization prior to the submission of an application.

The act authorizes a tax credit for the rehabilitation of property that is in a qualifying county, as defined in the act, equal to 35% of the total costs of rehabilitation incurred on or after July 1, 2024. A qualifying county shall be a county that is not within the city of Kansas City or the city of St. Louis.

The act provides that state historic rehabilitation standards shall not be more restrictive than the Secretary of the Interior's Standards for Rehabilitation.

Tax credits authorized for a single-resource certified historic structure of more than one million gross square feet with a Part I approval or on the National Register prior to January 1, 2024, and that are eligible for at least \$60 million in tax credits shall accrue against the aggregate amount of tax credits that may be authorized in a fiscal year over a period of six years in six equal increments.

Current law prohibits not-for-profit entities from receiving historic preservation tax credits. This act authorizes such entities to receive such tax credits.

This act requires the Department of Economic Development to establish an application cycle that allows for the year-round submission and year-round receipt and review of such applications.

Current law requires an application for tax credits to include proof that the property is an eligible property and a certified historic structure or a structure in a certified historic district. In lieu of such requirement, this act allows proof that part 1 of a federal application or a draft national register of historic places nomination has been submitted to the State Historic Preservation Office.

This act requires the Department, when evaluating an application, to consider the estimated number of housing units created by the project, the estimated number of construction and professional jobs associated with the project, capital improvements created by a project, and increased revenues from sales or property taxes. Historic schools and theaters, as defined in the act, and projects receiving less than \$475,000 in tax credits, as adjusted annually for inflation, are exempted from such requirements.

The State Historic Preservation Office shall determine whether a rehabilitation satisfies the required standards within sixty days of the filing of an initial application for tax credits and such determination shall be based upon evidence as described in the act, and, if approved, shall forward the application to the National Park Service within sixty days.

If the scope of a project that has been approved materially changes, the taxpayer shall be eligible to receive additional tax credits in the year in which the Department is notified of and approves of such change in scope, as described in the act.

Current law requires submission of evidence of the capacity of the applicant to finance rehabilitation costs and expenses within sixty days of approval. This act changes such requirement to one hundred twenty days.

Current law requires a taxpayer receiving approval for tax credits to commence rehabilitation within nine months of approval. This act changes such date to twenty-four months from approval. Taxpayers shall notify the Department of the loss of site control within ten days of such loss. The act allows a taxpayer to forfeit approval of tax credits at any time.

Current law requires taxpayers to submit an application for final approval of tax credits. This act provides that final approval shall be shown by either approval of the State Historic Preservation Office or an approved part 3 federal application. The act requires the Department to issue tax credits to the taxpayer within seventy-five days of receipt of the application, as described in the act.

An applicant may appeal any official decision relating to the application submitted by the applicant, as described in the act. (Sections 253.544 to 253.559)

This act provides that no political subdivision shall require an owner of residential property to have a home inspection conducted prior to the sale of the property, unless such inspection requirement is for new construction or occupancy permits. (Section 436.337)

This act provides that no deed restrictions, covenants, or similar binding agreements running with the land shall prohibit or have the effect of prohibiting ownership or pasturing of up to 6 chickens on a lot that is 2/10ths of an acre or larger, including prohibitions against a single chicken coop designed to accommodate up to 6 chickens.

A homeowner's association, as defined by law, may adopt reasonable rules, subject to applicable statutes or ordinances, regarding ownership or pasturing of chickens, including a prohibition or restriction on roosters. (Section 442.404)

This act establishes provisions regarding the removal of persons unlawfully occupying property with a residential dwelling through ex parte orders. A violation of an ex parte order under this act shall be a class A misdemeanor. Additionally, this act establishes the offense of criminal mischief for unlawful detention, occupation, or trespass upon a residential dwelling which shall be a class A misdemeanor. (Section 534.602, 534.604, and 569.200)

This act provides that no county, municipality, or political subdivision shall impose or otherwise enforce a moratorium on eviction proceedings unless specifically authorized by law. (Section 535.012)

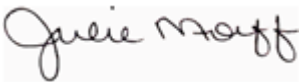
Currently, all community water systems are required to create a hydrant inspection program which includes annual testing of every hydrant of such community water systems. This act repeals the annual testing requirement and provides for a scheduled testing of hydrants. (Section 640.144)

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

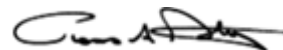
SOURCES OF INFORMATION

Attorney General's Office
Department of Economic Development
Department of Commerce and Insurance
Office of the State Courts Administrator
Department of Mental Health
Department of Corrections
Missouri Office of Prosecution Services

Office of the State Public Defender
Office of Administration
Missouri Highway Patrol
City of Kansas City
Office of Administration - Budget and Planning
Department of Labor and Industrial Relations
Department of Revenue
Department of Social Services
Missouri Department of Agriculture
Missouri Department of Conservation
Office of the State Treasurer
Office of the State Auditor
Office of the Secretary of State
Branson Police Department
Department of Social Services
Newton County Health Department
Kansas City Police Department
St. Louis County Police Department
Northwest Missouri State University
State Tax Commission
Department of Natural Resources
Morgan County Public Water Supply District #2
St. Charles County Public Water Supply District #2
South River Drainage District



Julie Morff
Director
June 17, 2024



Ross Strobe
Assistant Director
June 17, 2024