

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1124-01
Bill No.: SB 291
Subject: Taxation and Revenue - Property; Railroads; Tax Credits.
Type: Original
Date: February 12, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	\$0	\$0 to (\$29,000)	\$0 to (\$29,000)
Total Estimated Net Effect on General Revenue Fund	\$0	\$0 to (\$29,000)	\$0 to (\$29,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Blind Pension	\$0	\$0 to (\$17,226)	\$0 to (\$17,226)
Total Estimated Net Effect on Other State Funds	\$0	\$0 to (\$17,226)	\$0 to (\$17,226)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0 to (\$2,853,774)	\$0 to (\$2,853,774)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Transportation** assume this proposal would not fiscally impact their agency.

Officials from the **Department of Revenue (DOR)** state the State Tax Commission should administer the credits and determine any tax amount owed and notify DOR of this amount. DOR states this legislation should not have any additional administrative impact to their agency.

Officials from the **State Tax Commission (TAX)** state this proposal creates a tax credit for a freight line company's ad valorem property tax. TAX assumes that only those Freight Line Companies that are defined by Section 137.1003 (4), RSMo, will be eligible for this credit.

TAX states currently there are 350 freight line companies that could qualify for this credit. In calendar year 2002, the amount of freight line ad valorem property tax was \$2.6 million. TAX states that the amount of taxes levied each year appears to remain fairly stable. Therefore, TAX assumes that in calendar year 2003 and subsequent years, the amount of taxes would be approximately \$2.6 million. If

ASSUMPTION (continued)

TAX assumes that each of these companies will have significant eligible expenses to off-set the total amount of tax due, the political subdivisions, including the schools, would lose approximately \$2.6 million each year.

Officials from the **Office of Administration - Budget and Planning** did not respond to our request for fiscal impact.

Oversight assumes this tax credit could be administered by TAX and DOR with existing resources. According to the DOR's Comprehensive Annual Financial Report (CAFR) for FY 2001, \$2,844,856 in County Private Car Tax collections were distributed to the counties and the City of St. Louis. On top of this, DOR is allowed to retain one percent of the tax receipts to cover their collection costs. Also, prior to the distribution to the counties and St. Louis City, six-tenths of one percent of the fund is transferred to the blind pension fund. Therefore, for purposes of this fiscal note, Oversight will assume the new tax credit could reduce tax collections up to \$2.9 million (\$2,844,856 distributed, plus collection fee and Blind Pension transfer each taken out before distribution). At the local government level, per Section 137.1021, RSMo, 70 percent of the transfer from DOR goes to the local school districts and 30 percent goes to the county general revenue fund.

This \$2.9 million would be distributed as follows:

1 percent of collections to General Revenue for DOR collection fee	\$
	29,000
.6 percent before distribution to the Blind Pension fund	\$
	17,226
70 percent of distribution to local school districts (.70 x 2,853,774)	\$
	1,997,642
30 percent to local county general revenue funds (.30 x 2,853,774)	\$ 856,132
TOTAL	<u>\$ 2,900,000</u>

Oversight assumes this tax credit would result in a reduction of tax revenue for the state and local governments beginning in FY 2004. Oversight has ranged the reduction in income from \$0 (if no tax credits are claimed) to the full amount described above, since, the tax credit can not exceed a company's liability for a given year. Oversight assumes the County Private Car Tax will be stable in the years represented in this fiscal note. Oversight has not reflected any indirect

potential benefit resulting from this tax credit in the fiscal note.

This proposal could reduce Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
GENERAL REVENUE FUND			
<u>Loss</u> - in collection fees for County Private Car Tax reduced by new tax credit	<u>\$0</u>	<u>\$0 to (\$29,000)</u>	<u>\$0 to (\$29,000)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0 TO (\$29,000)</u>	<u>\$0 TO (\$29,000)</u>
BLIND PENSION FUND			
<u>Loss</u> - six-tenths of County Private Car Tax before distribution to local political subdivisions potentially reduced by tax credit	<u>\$0</u>	<u>\$0 to (\$17,226)</u>	<u>\$0 to (\$17,226)</u>
ESTIMATED NET EFFECT TO THE BLIND PENSION FUND	<u>\$0</u>	<u>\$0 TO (\$17,226)</u>	<u>\$0 TO (\$17,226)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
LOCAL SCHOOL DISTRICTS			
<u>Loss</u> - credit for County Private Car Tax	\$0	\$0 to (\$1,997,642)	\$0 to (\$1,997,642)
COUNTIES - GENERAL REVENUE FUNDS			
<u>Loss</u> - credit for County Private Car Tax	<u>\$0</u>	<u>\$0 to (\$856,132)</u>	<u>\$0 to (\$856,132)</u>

ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0</u>	<u>\$0 TO (\$2,853,774)</u>	<u>\$0 TO (\$2,853,774)</u>
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FISCAL IMPACT - Small Business

Small businesses that are considered a “freight line company” could receive a tax credit from this proposal.

DESCRIPTION

This proposal creates a tax credit against the private car ad valorem tax. The proposal enables a freight line company to have a credit equal to the amount of eligible expenses incurred during the immediately preceding calendar year against this tax. The term "eligible expenses" is defined as those incurred in the state to maintain to improve a freight line company's qualified rolling stock.

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

Department of Transportation
State Tax Commission
Department of Revenue

NOT RESPONDING: Office of Administration - Budget and Planning

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A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 12, 2003