COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1175-01
Bill No.: SB 224
Subject: Taxation and Revenue – Property; Railroads; Tax Credits
Type: Original
Date: February 23, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	$0	$0 to ($2,663,400)	$0 to ($2,663,400)
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0 to ($2,663,400)**	**$0 to ($2,663,400)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Blind Pension	$0	$0 to ($15,822)	$0 to ($15,822)
Total Estimated Net Effect on Other State Funds	**$0**	**$0 to ($15,822)**	**$0 to ($15,822)**

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government *	**$0**	**$0**	**$0**

* net of revenue reduction and state reimbursement.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Transportation (MoDOT)** assume that the Department of Revenue will be responsible for reimbursing local political subdivisions out of the General Revenue Fund. Therefore, MoDOT assumes no fiscal impact from the proposal.

Officials from the **State Tax Commission (TAX)** state this proposed legislation 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 the tax credit. With this assumption, there would be approximately 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; in calendar year 2003, the amount was $2.5 million; and in calendar year 2004, the amount was $2.6 million.

The amount of taxes levied each year currently appears to remain fairly stable. Therefore, TAX assumes that in calendar 2005 and the subsequent following years the amount of taxes would be approximately $2.6 million. If TAX assumes that each of these companies will have significant eligible expense to off-set the total amount of tax due, the State of Missouri would be required to annually reimburse the political subdivisions approximately $2.6 million. TAX assumes this

ASSUMPTION (continued)

legislation would be effective on August 28, 2005 and the credit would be effective with calendar year 2006 property taxes collected in FY 2007.

Officials from the **Department of Revenue (DOR)** state that since the credit will be applied on forms prescribed by TAX, impact to DOR would be minimal.

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 2003, $2,637,000 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 local tax collections up to $2.68 million ($2,637,000 distributed, plus a collection fee and Blind Pension transfer 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 $2.68 million would be distributed as follows:

1 percent of collections to General Revenue for DOR collection fee	$ 26,400
.6 percent before distribution to the Blind Pension fund	$ 15,822
70 percent of distribution to local school districts (.70 x 2,637,000)	$ 1,845,900
30 percent to local county general revenue funds (.30 x 2,637,000)	$ 791,100
TOTAL	$ 2,679,222

Oversight assumes this tax credit would result in a reduction of tax revenue beginning in FY 2006. Oversight assumes the annual reimbursement to the local political subdivisions for any decrease in revenue due to this program will be from the General Revenue fund and will occur in the same year as the reduction. 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.

FISCAL IMPACT - State Government	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE FUND			
Loss - in collection fees for County Private Car Tax reduced by new tax credit	$0	$0 to ($26,400)	$0 to ($26,400)
Loss - Reimbursement to local political subdivisions for credit for County Private Car Tax - School Districts	$0	$0 to ($1,845,900)	$0 to ($1,845,900)
Loss - Reimbursement to local political subdivisions for credit for County Private Car Tax - County General Revenue	$0	$0 to ($791,100)	$0 to ($791,100)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	**$0**	**$0 TO ($2,663,400)**	**$0 TO ($2,663,400)**
BLIND PENSION FUND			
Loss - six-tenths of County Private Car Tax before distribution to local political subdivisions potentially reduced by tax credit	$0	$0 to ($15,822)	$0 to ($15,822)
ESTIMATED NET EFFECT TO THE BLIND PENSION FUND	**$0**	**$0 TO ($15,822)**	**$0 TO ($15,822)**

FISCAL IMPACT - Local Government	FY 2006 (10 Mo.)	FY 2007	FY 2008
LOCAL SCHOOL DISTRICTS			
Revenue - annual reimbursement from state for tax credit program	$0	$0 to $1,845,900	$0 to $1,845,900
Loss - credit for County Private Car Tax	$0	$0 to ($1,845,900)	$0 to ($1,845,900)
COUNTIES - GENERAL REVENUE FUNDS			
Revenue - annual reimbursement from state for tax credit program	$0	$0 to $791,100	$0 to $791,100
Loss - credit for County Private Car Tax	$0	$0 to ($791,100)	$0 to ($791,100)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	**$0**	**$0**	**$0**

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal would create 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. The proposal requires the state to reimburse any political subdivision which experience a loss of revenue due to the provisions of the proposal.

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

RK:LR:OD (12/02)

SOURCES OF INFORMATION

State Tax Commission
Department of Transportation
Department of Revenue

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