

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5023-07
Bill No.: Truly Agreed To and Finally Passed HCS for SCS for SB 1131
Subject: Cities, Towns and Villages; Economic Development; Taxation and Revenue - Sales and Use; Transportation
Type: Original
Date: May 23, 2008

Bill Summary: This proposal excludes tax revenue derived from certain transportation sales taxes imposed by the City of Kansas City from TIF and MODESA economic activity taxes used to pay redevelopment costs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

Officials from the **Kansas City Area Transportation Authority (KCATA)** state annually, approximately \$3 million is reduced from Kansas City's 3/8-cent transit sales tax for TIF related projects levied pursuant to Section 94.600. If current trends continue, the Kansas City, Missouri budget director estimates the reductions will increase by 15% annually as new TIF projects come on line. SB 1131 would authorize the exemption from TIF transit projects using taxes authorized by Section 94.600 and Section 94.577 RSMo as follows:

1. The bill would make possible the continuation of the Section 94.600 authorized 3/8 cent sales tax for transit, and the new tax would be exempt from TIF projects approved beginning April 1, 2009.
2. The bill would authorize imposing a new transit tax of up to 1/8-cent for light rail transit under Section 94.600. This tax would be exempt from all TIF projects.
3. The bill would authorize a new transit tax of up to 1/4-cent for light rail transit under Section 94.577 (1/4 cent). This tax would be exempt from all TIF plans.

It is estimated, if the 3/8-cent sales tax is renewed as proposed, beginning April 1, 2009, the TIF reduction could be \$23 million to \$50 million through the life of the tax. This estimation is dependent upon the number of projects implemented. If the light rail taxes are imposed, the fiscal impact on the City would be much more substantial and could easily exceed \$50 million depending on the percentage tax implemented by the City.

Removal of the TIF reduction would not cause any negative fiscal impact to the State of Missouri, but would result in a positive fiscal impact on Kansas City.

Officials from the **City of Kansas City** did not respond to our request for fiscal impact.

Oversight assumes this proposal would result in a savings to the Kansas City Area Transportation Authority and a potential loss to Kansas City's Special Allocation Account (TIF) and Downtown Economic Stimulus Act (MODESA) account.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
---	---------------------	---------	---------

LOCAL POLITICAL SUBDIVISIONS

<u>Savings - Kansas City Area</u> Transportation Authority - certain sales tax proceeds no longer allowed to be used for TIF or MODESA purposes	Unknown	Unknown	Unknown
--	---------	---------	---------

<u>Loss - Kansas City Special Allocation Fund - certain sales tax proceeds no longer allowed to be used for TIF or MODESA projects.</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
---	------------------	------------------	------------------

ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
---	------------	------------	------------

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This substitute excludes tax revenues, derived from certain transportation sales taxes imposed by the City of Kansas City, from the allocation of economic activity taxes for payment of redevelopment costs under Missouri's Downtown and Rural Economic Stimulus Act and Real Property Tax Increment Allocation Redevelopment Act. The definition of the term "transportation purposes" contained within the provision of law authorizing the transportation sales tax provision has been expanded to include the development and operation of bus, para-transit systems, and fixed-rail and light-rail transit systems.

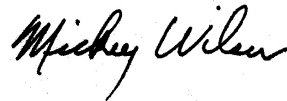
FISCAL DESCRIPTION (continued)

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 Revenue
Kansas City Area Transportation Authority

NOT RESPONDING:
City of Kansas City



Mickey Wilson, CPA
Director
May 23, 2008