

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0057-01  
Bill No.: SB 32  
Subject: Business and Commerce; Cities, Towns and Villages; Taxation and Revenue -  
 Sales and Use  
Type: Original  
Date: April 7, 2009

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Bill Summary: This proposal establishes the Duty Free Zone Act.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	\$0	\$0	\$0 to (Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0 to (Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Various state funds	\$0	\$0	\$0 to (Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0 to (Unknown)</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0 to (Unknown)</b>

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## **FISCAL ANALYSIS**

### ASSUMPTION

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

Officials from the **Department of Revenue (DOR)** assume the proposal will not fiscally impact their agency.

Also, due to the Statewide Information Technology Consolidation, DOR's response to a proposal will now also reflect the cost estimates prepared by OA-IT for impact to the various systems. As a result, the impact shown may not be the same as previous fiscal notes submitted. In addition, if the legislation is Truly Agreed to and Finally Passed the OA-IT costs shown will be requested through appropriations by OA-IT.

Office of Administration Information Technology (ITSD DOR) estimates the IT portion of this request can be accomplished within existing resources, however; if priorities shift, additional FTE/overtime would be needed to implement. The Office of Administration Information Technology (ITSD DOR) estimates that this legislation could be implemented utilizing 2 existing CIT III for 2 months for an estimated cost of \$17,764.

Officials from the **Office of Administration - Budget and Planning (BAP)** did not respond to our request for fiscal impact. In response to a similar proposal from 2008 (SB 1012), BAP stated the act would become effective once adopted by a municipality, approved by the Department and approved by the voters of a constitutional amendment authorizing the creation of tax free or reduced tax zones for a certain term. BAP states this proposal could therefore lower general and total state revenue by an unknown amount. BAP deferred to the Department of Revenue for an estimate of this amount.

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

**Oversight** assumes if the constitutional amendment is passed by the vote of the people and if the General Assembly creates a tax free or reduced tax geographic zone, there would be a loss of tax revenue to the state as well as the local political subdivisions. Oversight will reflect this possibility as \$0 or an unknown loss to various funds. Oversight assumes the earliest that a general election will be held is November 2010 (FY 2011), and therefore, if the measure is passed, the earliest that such a zone would be created by the General Assembly and tax free status would be effective, would be in FY 2012.

ASSUMPTION (continued)

**This proposal, along with voter approval and local government action, could reduce Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
<b>GENERAL REVENUE</b>			
<u>Loss</u> - from potential of General Assembly creating tax free or reduced tax geographic zones	<u>\$0</u>	<u>\$0</u>	\$0 or <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b>\$0 or <u>(Unknown)</u></b>
 <b>VARIOUS OTHER STATE FUNDS</b>			
<u>Loss</u> - from potential of General Assembly creating tax free or reduced tax geographic zones	<u>\$0</u>	<u>\$0</u>	\$0 or <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO VARIOUS OTHER STATE FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b>\$0 or <u>(Unknown)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
<b>LOCAL POLITICAL SUBDIVISION</b>			
<u>Loss</u> - from potential of General Assembly creating tax free or reduced tax geographic zones	<u>\$0</u>	<u>\$0</u>	\$0 or <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISION</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0 or (Unknown)</u></b>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This act allows any city in this state to designate duty free zones within such city and grant such areas tax favored status for a term not to exceed twenty-three years. Tax favored status is defined as a reduction to or elimination of the rate of tax on transactions imposed under Missouri's sales and use tax laws. Duty free zones may only be established in blighted areas located within qualified census tracts. The act requires the governing body of the city to hold public hearings prior to the adoption of an ordinance designating an area of such municipality as a duty free zone. The act requires the governing body to provide notice of such hearings to affected taxing districts and the public. Upon receiving municipal approval, the designation must be approved, at the same rate of tax and term, by the county or counties in which the city is located and by the Missouri Development Finance Board.

Upon the issuance of a certificate of approval from the Missouri Development Finance Board, any business located within a duty free zone may receive tax favored status for a term not to exceed fifteen years. In order to receive tax favored status, a business owner must report the amount of taxes deferred, on an availability basis, for the duration of the time in which it receives tax favored status. Municipalities are prohibited from having more than one duty free zone in existence, within such municipality, at any given time.

FISCAL DESCRIPTION (continued)

The act contains a contingent effective date. The provisions of the act will become effective upon voter approval of a constitutional amendment authorizing tax free or reduced tax zones for the purpose of promoting economic development.

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

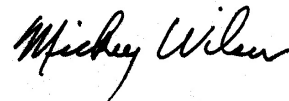
SOURCES OF INFORMATION

Department of Economic Development  
Department of Revenue  
Office of Administration - Budget and Planning

**NOT RESPONDING:**

**City of Kansas City**

**City of St. Louis**



Mickey Wilson, CPA  
Director  
April 7, 2009