

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5436-02
Bill No.: SB 777
Subject: Administration, Office of; Economic Development; Economic Development Department; Taxation and Revenue - Property
Type: Original
Date: March 28, 2012

Bill Summary: This proposal modifies the requirement of tax increment financing laws for certain redevelopment projects located in areas affected by certain natural disasters.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(\$0 to Unknown)	(\$0 to Unknown)	(\$0 to Unknown)
Total Estimated Net Effect on General Revenue Fund	(\$0 to Unknown)	(\$0 to Unknown)	(\$0 to Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Missouri Supplemental Disaster Recovery Fund	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
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 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Budget and Planning (BAP)** assume this proposal revises the tax increment financing statutes to allow redevelopment projects in certain disaster areas to qualify for financing. The proposal establishes a new fund, known as the Missouri Supplemental Disaster Recovery Fund, to distribute state disaster recovery revenues to approved redevelopment projects pursuant to state appropriation. State disaster recovery revenues consist of the incremental increase in the General Revenue portion of state sales tax revenues within the approved redevelopment project area and the incremental increase in state withholding taxes within the approved redevelopment project area. Up to fifty percent of state disaster recovery revenues, along with any additional state revenues requested by the Department of Economic Development, may be deposited into the Missouri Supplemental Disaster Recovery Fund for disbursement to municipalities for approved redevelopment projects.

This proposal will have an unknown impact to General Revenue. The proposal may encourage economic recovery in disaster-stricken areas but BAP does not have data to estimate the induced activity.

Officials at the **Department of Economic Development (DED)** assume this proposal revises the Tax Increment Financing (TIF) Program under Section 99.805, to allow projects in disaster areas located in a municipality for which public and individual assistance has been requested by the President and for which the municipality must adopt a redevelopment project within two years after the natural disaster occurred.

For businesses located in the disaster project area, designated tax revenues will be deposited into a fund known as the "Missouri Supplemental Disaster Recovery Fund" to be administered by DED. A municipality located in the disaster area is required to submit a TIF application to be approved by the DED and OA. If it is determined the municipality has met the requirements and conditions of the program and the designated tax revenues have been deposited, DED will disburse the funds to the municipality pursuant to state appropriations. The disbursement is based on the portion of the estimate of the incremental increase in the General Revenue portion of state sales tax revenues in the redevelopment area and a portion of the estimate of the state withholding tax by the employer on behalf of employees within the redevelopment area as indicated in the municipality's application and as approved by DED and OA. DED may also request an appropriation from additional state revenues to the Disaster Recovery Fund. The duration of redevelopment plans and projects receiving state disaster recovery revenues is 15 years, unless prior approval is given by DED and OA for the project to last longer. The duration of the project cannot exceed 23 years. This proposal adds an emergency clause.

ASSUMPTION (continued)

This program is subject to appropriation and is discretionary. Projects must demonstrate a net positive economic benefit; therefore, DED assumes an unknown positive impact over \$100,000. No FTE are being requested at this time; however, if DED determines that additional FTE are needed to administer the modifications to the program, they will be requested through the normal budgeting process.

Oversight assumes the changes to this program outlined in this proposal may have a positive impact on the state. However, Oversight considers this to be indirect impact of the proposal and will not reflect it in this fiscal note.

Oversight assumes that all money received by the Missouri Supplemental Disaster Recovery Fund will be distributed per this proposal.

Officials at the **City of Kansas City, Department of Revenue, Office of State Treasurer** and the **State Tax Commission** assume there is no fiscal impact from this proposal.

Officials at the City of Joplin, City of St. Louis, City of St. Joseph, Jasper County and Buchanan County did not respond to **Oversight's** request for fiscal impact.

FISCAL IMPACT - State Government FY 2013 FY 2014 FY 2015

GENERAL REVENUE

<u>Transfer Out</u> - of General Revenue to the MO Supplemental Disaster Recovery Fund	<u>(\$0 to Unknown)</u>	<u>(\$0 to Unknown)</u>	<u>(\$0 to Unknown)</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$0 to Unknown)</u>	<u>(\$0 to Unknown)</u>	<u>(\$0 to Unknown)</u>
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MISSOURI SUPPLEMENTAL DISASTER RECOVERY FUND

<u>Transfer In</u> - from General Revenue	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Revenue</u> - gifts, contributions and grants received	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Transfer Out</u> - to Local Political Subdivisions for redevelopment projects	<u>(\$0 to Unknown)</u>	<u>(\$0 to Unknown)</u>	<u>(\$0 to Unknown)</u>
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ESTIMATED NET EFFECT ON MISSOURI SUPPLEMENTAL DISASTER RECOVERY FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Local Government FY 2013 FY 2014 FY 2015

LOCAL POLITICAL SUBDIVISIONS

<u>Transfer In</u> - Local Political Subdivisions for redevelopment projects.	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Cost</u> - redevelopment project costs	<u>(\$0 to Unknown)</u>	<u>(\$0 to Unknown)</u>	<u>(\$0 to Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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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 municipalities to adopt redevelopment plans for the purpose of tax increment financing where a majority of the property in the redevelopment area is within a disaster area without a finding that the redevelopment area would not reasonably be anticipated to be developed without tax increment financing. The municipality is also authorized to provide information regarding the financial feasibility of the redevelopment plan itself, rather than requiring the developer to provide it. For a redevelopment project to be eligible for the provisions of law regarding tax increment financing in disaster areas, the municipality must approve the redevelopment project within two years after the date the President declares the disaster.

Current law allows, under the State Supplemental Tax Increment Financing program, for the General Assembly to appropriate funds to the Department of Economic Development to provide to municipalities with approved projects in an amount up to fifty percent of the increase in state income tax revenue from new jobs in the project area, or in an amount up to fifty percent of the incremental increase in the General Revenue portion of the state sales tax. Under this act, beginning August 28, 2012, the General Assembly may appropriate funds to the newly created Missouri Supplemental Disaster Recovery Fund for the Department of Economic Development to provide to municipalities with approved redevelopment projects in disaster areas in an amount up to fifty percent of the total of: 1) the increase in the amount of income tax employers withhold from all employees of businesses located in the project area; and 2) the incremental increase in the general revenue portion of state sales tax revenues. Particular municipalities will also be allowed to receive additional amounts from this fund, if the amounts are requested by the Department of Economic Development through appropriations.

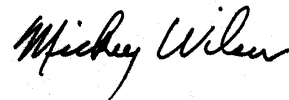
This act contains an emergency clause.

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

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SOURCES OF INFORMATION

Budget and Planning
City of Kansas City
Department of Economic Development
Department of Revenue
Office of State Treasurer
State Tax Commission



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March 28, 2012