

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0754-09  
Bill No.: Truly Agreed To and Finally Passed HCS for SS for SCS for SB 149  
Subject: Business and Commerce; Economic Development Department; Political Subdivisions; Revenue Department.; Taxation and Revenue - Sales and Use  
Type: Original  
Date: June 8, 2015

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Bill Summary: Would create state and local sales and use tax exemptions for data storage centers.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
General Revenue	(\$80,757)	\$0	\$0 or (More than \$750,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$80,757)</b>	<b>\$0</b>	<b>\$0 or (More than \$750,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 12 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
School District Trust	\$0	\$0	\$0 or (More than \$250,000)
Conservation Commission	\$0	\$0	\$0 or (Less than \$100,000)
Parks, and Soil and Water	\$0	\$0	\$0 or (Less than \$100,000)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0 or (More than \$250,000)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</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 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0 or (More than \$970,000)</b>

### FISCAL ANALYSIS

#### ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** noted this proposal would provide a state and local sales tax exemption for electrical energy, gas, water, other utilities, machinery, equipment, computers, and construction materials used in a new data center. BAP officials also noted this proposal would provide a state and local sales tax exemption for electrical energy, gas, water, other utilities, machinery, equipment, computers, and construction materials used by expanding data storage centers, to the extent the amount of new inputs exceed current input levels.

The amount of any exemption provided under this subsection could not exceed the projected net fiscal benefit to the state over a period of ten years. BAP officials assume this proposal would not impact current Total State Revenues but future revenues may be forgone. BAP officials noted this program may encourage other economic activity, but do not have the data required to estimate the induced revenues.

ASSUMPTION (continued)

Officials from the **Department of Economic Development (DED)** assume this proposal would create a state and local sales and use tax exemption for data storage centers. Owners of the data storage centers that seek a tax exemption under would be required to submit a project plan and Notice of Intent (NOI) to the Department.

The sales tax exemptions would be limited to the projected net fiscal benefit to the state over a period of ten years, as determined by DED; therefore, DED is unable to determine the exact impact the proposed legislation would have on Total State Revenue. DED officials deferred to the Department of Revenue for an estimate of the impact this proposal could have on Total State Revenue.

DED would be responsible for certifying the tax exemption in coordination with the Department of Revenue (DOR), and the proposal would require random audits to ensure compliance with the intent the data storage centers indicated in their project plan. DED officials anticipated the need for one additional employee, an Economic Development Incentive Specialist III who would be responsible for reviewing the project plan and NOI.

The DED estimate of cost to implement the proposal included one additional employee; the estimated cost including salary, benefits, equipment, and expense totaled \$77,021 for FY 2016, \$85,597 for FY 2017, and \$86,510 for FY 2018.

**Oversight** assumes there would be a limited number of entities eligible for this sales and use tax exemption and DED could absorb the additional workload with existing resources. If this proposal creates an unanticipated increase in the DED workload, or if multiple proposals were implemented which created a substantial increase in the DED workload, resources could be requested through the budget process.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** assume this proposal would create sales and use tax exemptions for new data storage center projects for a period up to 15 years.

Administrative Impact

DOR officials assumed Collections and Tax Assistance (CATA) would require one additional Revenue Processing Technician I (Range 10, Step L) to respond to additional contacts in the registration section, and the technician would require CARES system equipment and license; Sales Tax would also require one additional Revenue Processing Technician I to complete amended returns and process refunds. The DOR estimate of cost to implement this proposal including two additional employees and the related employee benefits, equipment and expense totaled \$82,045 for FY 2016, \$84,086 for FY 2017, and \$84,960 for FY 2018.

**Oversight** assumes there would be a limited number of entities eligible for this sales and use tax exemption and DOR could absorb the additional workload with existing resources. If this proposal creates an unanticipated increase in the DOR workload, or if multiple proposals were implemented which created a substantial increase in the DOR workload, resources could be requested through the budget process.

IT impact

DOR officials provided an estimate of the IT cost to implement this provision of \$80,757 for 1,077 hours of programming to make changes to DOR systems.

For fiscal note purposes only, **Oversight** will include the DOR estimate of IT cost in this fiscal note.

**Oversight** notes this proposal would provide a relatively broad sales tax exemption for the costs to create, maintain, and operate a data storage facility, but would require a minimum \$25 million investment in a new facility within thirty-six months, or a minimum \$5 million investment in an expanding facility within twelve months. The proposed project would need to meet job creation requirements, and would require approval by the Department of Economic Development (DED). DED would then conditionally certify the project to the Department of Revenue (DOR). Upon completion of the project, DED would certify project eligibility to DOR, and DOR would refund the sales tax paid on the project.

ASSUMPTION (continued)

If the proposal became effective August 28, 2015, construction could begin late in FY 2016 and would likely not be completed until late in FY 2017. Refunds would not likely be certified and paid to project owners until FY 2018.

**Oversight** is not aware of any existing or planned projects which could qualify for the program, but if one new facility project was completed in time for a refund to be paid in FY 2018, the sales tax amounts could be computed as follows. For fiscal note purposes, Oversight assumes the entire \$25 million investment would qualify for the exemption and has calculated the potential impact below.

Entity	Sales Tax Rate	Sales Tax
General Revenue Fund	3%	\$750,000
Conservation Commission Fund	1/8%	\$31,250
School District Trust Fund	1%	\$250,000
Parks, Soil & Water Funds	1/10%	\$25,000
Local Governments *	Average 3.88%	\$970,000
The 3.88% average local sales tax rate was calculated by Oversight based on DOR sales tax collection reports.		

**Oversight** will indicate a fiscal impact in FY 2018 for this provision for the General Revenue Fund of \$0 (no project qualifies for the exemption) or a revenue reduction of more than \$750,000 (one or more projects qualify); a fiscal impact for local governments of \$0 or a revenue reduction of more than \$970,000; a fiscal impact for the School District Trust Fund of \$0 or a revenue reduction of more than \$250,000, and an impact of \$0 or less than \$100,000 for other state funds which receive sales tax revenues.

Oversight notes that sales taxes collected for the School District Trust Fund are distributed along with other amounts in the fund to local school districts, however, for simplicity, those transfers will not be included in this fiscal note.

ASSUMPTION (continued)

Officials from the **Department of Conservation (MDC)** assume this proposal would have an unknown negative fiscal impact to their organization, but greater than \$100,000. MDC officials deferred to the Department of Revenue for an estimate of the anticipated fiscal impact for this proposal.

Officials from the **Department of Natural Resources (DNR)** deferred to the Department of Revenue and Office of Administration - Division of Budget and Planning for a more detailed account of the fiscal impact of a previous version of this proposal.

Officials from the **Office of the Secretary of State (SOS)** stated many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. SOS officials also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be greater than their office can sustain with our core budget, and reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from **St. Louis County** assume this proposal would have a small negative impact on their organization but stated they could not provide an estimate of the impact.

ASSUMPTION (continued)

Officials from the **City of Columbia** assumed a previous version of this proposal would allow, rather than require, a municipality to offer incentives to data centers; therefore, mere passage of the bill would not create a fiscal impact for the City. If the City decided to engage in this incentive, there could be significant loss of tax revenues that, it is assumed, would eventually be supplanted by other revenue from local economic activity.

Officials from the **City of Kansas City** assume this proposal would have no fiscal impact for the duration of the sales tax exemption, but could result in additional revenue if the project continued to operate after the expiration of the exemption.

Officials from **Kansas City Public School District** assumed a previous version of this proposal could have a negative fiscal impact greater than \$1 million on their organization. School officials stated the City of Kansas City is aggressive in its recruitment of these types of businesses and the awarding of incentives and credits, and the school district currently loses more than \$25 million to incentives and credit programs. School officials assume this proposal could increase those revenue losses.

Officials from the **Department of Labor and Industrial Relations, Callaway County, the Jackson County Election Board, and the Platte County Board of Elections** assume this proposal would have no impact on their organizations.

Officials from the **City of Independence Health Department, the Special School District of St. Louis County, the Everton School District, and the St. Louis County Directors of Elections** assumed a previous version of this proposal would have no impact on their organizations.

Not responding

Officials the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to our request for information.



ASSUMPTION (continued)

Officials from the following counties: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, Shelby, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to our request for information.

Officials from the following school districts: Blue Springs Public Schools, Branson Public Schools, Carondelet Leadership Academy, Charleston R-I Schools, Cole R-I Schools, Columbia Public Schools, Fair Grove Schools, Francis Howell Public Schools, Fulton Public School, Independence Public Schools, Jefferson City Public Schools, Johnson County R-7 Schools, Kirksville Public Schools, Kirbyville R-VI Schools, Lee Summit Public Schools, Malden R-I Schools, Malta Bend Schools, Mexico Public Schools, Monroe City R-I Schools, Nixa Public Schools, Parkway Public Schools, Pattonville Schools, Raymore-Peculiar R-III Schools, Raytown School District, Sedalia School District, Sikeston Public Schools, Silex Public Schools, Spickard School District, St Joseph School District, St Louis Public Schools, St. Charles Public Schools, Sullivan Public Schools and Warren County R-III School District did not respond to our request for information.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction</u>			
Sales tax exemption for Data Storage Facilities	\$0	\$0	\$0 or (More than \$750,000)
<u>Cost - DOR</u>			
Programming	<u>(\$80,757)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$80,757)</u></b>	<b><u>\$0</u></b>	<b><u>\$0 or (More than \$750,000)</u></b>
<b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Revenue reduction</u>			
Sales tax exemption for Data Storage Facilities	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (More than \$250,000)</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0 or (More than \$250,000)</u></b>
<b>CONSERVATION COMMISSION FUND</b>			
<u>Revenue reduction</u>			
Sales tax exemption for Data Storage Facilities	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Less than \$100,000)</u>
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0 or (Less than \$100,000)</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2016	FY 2017	FY 2018
(Continued)	(10 Mo.)		

**PARKS, AND SOIL AND WATER  
 FUND**

Revenue reduction

Sales tax exemption for Data Storage Facilities	\$0	\$0	\$0 or (Less than (\$100,000))
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**ESTIMATED NET EFFECT ON  
 PARKS, AND SOIL AND WATER  
 FUND**

<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Less than \$100,000)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2016	FY 2017	FY 2018
	(10 Mo.)		

**LOCAL GOVERNMENTS**

Revenue reduction

Sales tax exemption for Data Storage Facilities	\$0	\$0	\$0 or (More than \$970,000)
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**ESTIMATED NET EFFECT ON  
 LOCAL GOVERNMENTS**

<u>\$0</u>	<u>\$0</u>	<u>\$0 or (More than \$970,000)</u>
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FISCAL IMPACT - Small Business

This proposal would have a fiscal impact on small businesses which operate data storage centers or participate in a technology business facility project.

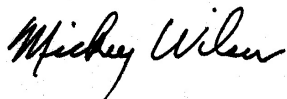
### FISCAL DESCRIPTION

This proposal would create state and local sales and use tax exemptions for data storage centers.

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

Office of the Secretary of State  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Department of Conservation  
Department of Economic Development  
Department of labor and Industrial Relations  
Department of Natural Resources  
Department of Revenue  
St. Louis County  
City of Columbia  
City of Independence  
City of Kansas City  
Everton School District  
Kansas City Public Schools  
Platte County Board of Elections  
St. Louis County Directors of Elections



Mickey Wilson, CPA  
Director  
June 8, 2015

Ross Strobe  
Assistant Director  
June 8, 2015