

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1391-01
Bill No.: SB 401
Subject: Saint Louis County; Taxation and Revenue - General; Urban Redevelopment
Type: Original
Date: March 6, 2015

Bill Summary: This proposal authorizes sites containing former automobile manufacturing plants in St. Louis County to qualify for State Supplemental Tax Increment Financing.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	\$0 up to (\$4,000,000)	\$0 up to (\$4,000,000)	\$0 up to (\$4,000,000)
Total Estimated Net Effect on General Revenue	\$0 up to (\$4,000,000)	\$0 up to (\$4,000,000)	\$0 up to (\$4,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on Other 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 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

According to the **Department of Economic Development**, the purpose of Tax Increment Financing (TIF) is to facilitate the redevelopment of blighted areas by providing essential public infrastructure.

When local tax increment financing leaves a gap for a redevelopment project, a municipality can apply for a portion of the new state tax revenues created by the project to be disbursed to cover the financing gap for eligible redevelopment costs on the project.

To be eligible for State TIF, the underlying local TIF must dedicate at least 50% of the amount of the new local sales tax (and earnings tax in St. Louis and Kansas City) revenue and 100% of the amount of the new real property tax revenue created by the project each year for which state TIF is sought.

An applicant may be approved to receive up to 50% of the net new state sales tax revenue (general revenue portion only; excluding dedicated taxes) generated in the project area or up to 50% of the increase in state income tax revenue from net new jobs in the project area. An applicant cannot receive both.

State TIF may be awarded for a period of up to 15 years (a longer period may be requested, but not to exceed 23 years). The TIF project funds may be derived from a bond issue (retired with the local and state incremental revenues), or a reimbursement to the developer for eligible costs.

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal adds former automobile manufacturing plants in St. Louis County to the redevelopment areas that may qualify for Tax Increment Financing (TIF). These areas will not be included in the current \$32 million annual limit for TIF; instead, they will have a separate limit of \$4 million per year.

This proposal will not directly impact Total State Revenues, but will impact the General Revenue Fund to the extent additional appropriations to the Supplemental Tax Increment Financing Fund are required.

This proposal may encourage other economic activity. BAP cannot estimate the induced revenues.

Officials at the **Department of Economic Development (DED)** assume §99.845 allows that a former automobile manufacturing plant located in a designated area qualifies for State

ASSUMPTION (continued)

Supplemental TIF. The TIF new state revenues for disbursement may not exceed \$4 million dollars.

DED assumes a negative impact ranging from \$0-\$4 million dollars offset by any positive activity generated as a result of this proposal.

Officials at the **St. Louis County Government** assume this proposal sets up the possibility of a "Super TIF" (Tax Increment Financing) for the former Chrysler Plant site in Fenton. It would not apply to the former Ford Plant site in Hazelwood because that plant closed prior to 2007. A Super TIF differs from a normal TIF in that it can capture a portion of the state sales taxes (4.225%) and state income taxes generated by employees working within the designated TIF area. There is a \$23 million cap in these bills, but this would be a big boost to redevelopment efforts on the Chrysler site.

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

Officials at the **State Tax Commission** and the **Department of Revenue** each assume no fiscal impact from this proposal to their respective organizations.

Oversight notes this proposal states the thirty-two million dollar cap shall not apply to any former automobile manufacturing plant. At no time shall the annual amount of the new state revenues for disbursements from the Missouri Supplemental Tax Increment Financing Fund for any former automobile manufacturing plant exceed four million dollars. Therefore, Oversight will show the fiscal impact as \$0 (no appropriation made) up to \$4,000,000 annually.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Revenue Reduction</u> - automobile manufacturing TIF	\$0 up to <u>(\$4,000,000)</u>	\$0 up to <u>(\$4,000,000)</u>	\$0 up to <u>(\$4,000,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 up to <u>(\$4,000,000)</u>	\$0 up to <u>(\$4,000,000)</u>	\$0 up to <u>(\$4,000,000)</u>

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

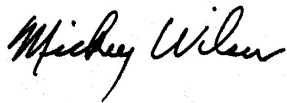
FISCAL DESCRIPTION

This act adds former automobile manufacturing plants in St. Louis County to the types of redevelopment areas that may qualify for state supplemental tax increment financing. This new type of redevelopment area will not be included in the current \$32 million annual cap for state supplemental TIF and will have a separate cap of \$4 million per year.

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 Administration's Division of Budget and Planning
Department of Economic Development
St. Louis County Government
Department of Revenue
State Tax Commission



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Director
March 6, 2015

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Assistant Director
March 6, 2015