

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4049-01  
Bill No.: Perfected SB 783  
Subject: Taxation and Revenue - Property; Telecommunications; Utilities  
Type: Original  
Date: February 15, 2016

---

Bill Summary: This proposal authorizes telephone companies to elect to have their tangible person property assessed in accordance with a depreciation schedule.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Blind Pension	\$0	(\$91,235 to \$136,853)	(\$91,235 to \$136,853)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>(\$91,235 to \$136,853)</b>	<b>(\$91,235 to \$136,853)</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</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 2017</b>	<b>FY 2018</b>	<b>FY 2019</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 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Local Government</b>	<b>\$0</b>	<b>(\$9,229,940 to \$18,459,887)</b>	<b>(\$9,229,940 to \$18,459,887)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of the State Auditor** and the **Department of Revenue** each assume the current proposal would not fiscally impact their respective agencies.

Officials from the **State Tax Commission (TAX)** state the fiscal impact from this proposal is difficult to project with the primary impact being on the taxing districts throughout the state. Telephone Companies electing to be assessed for property other than land and buildings pursuant to Section 137.122 do not currently report this property in a manner that allows TAX to definitively project the impact of this proposal. TAX was able to acquire the necessary information utilized in Section 137.122 on 4 telephone companies operating in Missouri. The results of these calculations varied greatly ranging in a reduction of 14% to 77% in the taxable valuation of the qualifying property. The impact of this legislation will vary significantly from company to company and will be influenced by criteria such as the age of the property being valued and the percentage of the overall valuation that is attributed to Land and Buildings. Upon review of the 67 telephone companies the TAX values, their prior renditions, and afore - mentioned data, our estimates are that the overall impact to the assessed value of telephone companies will reduce by 25% to 50%.

- Total Assessed Valuation of Telephone Companies valued by TAX: **\$608,233,531**
- Current Tax Dollars Generated (based on average levy of \$6.07): **\$36,919,775**
- Projected Range of Assessed Value if proposed legislation enacted: **\$304,116,765 - \$456,175,148**
- Fiscal Impact (Potential Revenue Loss) to the taxing districts in Missouri: **\$9,229,940- \$18,459,887**

**Oversight** assumes there will be a negative fiscal impact to local political subdivisions based on the estimate provided by TAX. In addition, the Blind Pension Fund will lose \$.03 of every \$1.00 of assessed value lost.

Officials from the **County of St. Louis** assume the current proposal would not fiscally impact their local political subdivision.

Officials from the **County of Cole** assume this proposal has the potential to lower tax revenues in that it could operate to lower some assessed values of this personal property. The amount of fiscal impact cannot be determined at this time.

ASSUMPTION (continued)

Senate Amendment 1

**Oversight** assumes this amendment provides that any change in property tax assessments will begin in with tax year 2017 and will not affect property tax collections until December 2017 (FY 2018).

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>BLIND PENSION FUND</b>			
<u>Loss - Reduction of Property Tax Collections</u>	<u>\$0</u>	(\$91,235 to <u>\$136,853</u> )	(\$91,235 to <u>\$136,853</u> )
<b>ESTIMATED NET EFFECT ON BLIND PENSION FUND</b>	<b><u>\$0</u></b>	<b><u>(\$91,235 to \$136,853)</u></b>	<b><u>(\$91,235 to \$136,853)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Loss - Reduction of Property Tax Collections</u>	<u>\$0</u>	(\$9,229,940 to <u>\$18,459,887</u> )	(\$9,229,940 to <u>\$18,459,887</u> )
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>(\$9,229,940 to \$18,459,887)</u></b>	<b><u>(\$9,229,940 to \$18,459,887)</u></b>

FISCAL IMPACT - Small Business

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

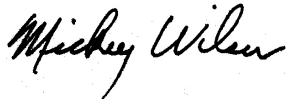
FISCAL DESCRIPTION

Currently, a telephone company has their tangible personal property assessed in the same manner as a railroad. This bill allows a telephone company to annually elect to have their tangible personal property assessed in accordance with depreciation schedules.

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

State Tax Commission  
Department of Revenue  
Office of the State Auditor  
County of St. Louis  
County of Cole



Mickey Wilson, CPA  
Director  
February 16, 2016

Ross Strobe  
Assistant Director  
February 16, 2016