

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5825-01  
Bill No.: SB 927  
Subject: Business and Commerce; Capital Improvements; Economic Development;  
Science and Technology; Taxation and Revenue - Property; Taxation and  
Revenue - Sales and Use  
Type: Original  
Date: March 1, 2016

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Bill Summary: Authorizes incentives for data storage centers.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$5,195)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$5,195)</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<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>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<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>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

**Oversight** was unable to receive agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

In a similar proposal (HB 2065, 2016), officials at the **Department of Revenue (DOR)** assumed §67.2050 outlined the duties and responsibilities of the governing body of a municipality. The provisions of subsection 4 exempt transactions pertaining to lease or rental of components of the project. A private person or corporation that initially transferred property to the municipality retains the right to have the entity transfer the donated property back to the person or corporation at no cost.

The provision appears to give the private owner first right of refusal. Thus, it would apparently allow the entity to make major improvements and transfer the property back to the person who donated it tax-free.

DOR assumed these transactions would still be subject to state sales tax. If this is the intent of this proposal, the state and local tax base will not be uniform. The proposal in this section creates a new item tax by exempting lease and rentals from local tax if created under §67.2050. DOR would need to add this item tax to the integrated system. This will require 40 hours of programming at \$130 per hour for a total of \$5,195.

**Oversight** notes that this proposal does not require a minimum investment in a new facility or a minimum investment in an expanding facility. Oversight is not aware of any existing or planned projects which could qualify for the program. Oversight assumes the proposal is not mandatory and there will be no fiscal impact without local government action.

**Oversight** notes the provision would allow but not require local governments to participate in business facility projects; the projects would be the result of a future local government decision. In addition, Oversight assumes properties owned by local governments would be exempt from property tax under existing law. Therefore, this provision would have no direct fiscal impact.

ASSUMPTION (continued)

In response to a similar version, 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 SOS 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. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves 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.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Office of Administration - Division of Budget and Planning (B&P)** assume this proposal may impact state revenues and may impact the calculation under Article X, Section 18(e).

**B&P** assumes this proposal allows local governments to carry out business facility projects. It exempts leases from local sales tax and buildings owned by the government owned by the local government from property tax. This may have a negative impact on Total State Revenue in the event that local governments buy, build, or hold more building properties than they otherwise would have.

Officials from the **Department of Natural Resources** assume the proposal creates a sales tax exemption for data storage centers and defers to DOR and B&P for impact.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>GENERAL REVENUE FUND</b>			
<u>Cost - Department of Revenue-computer programming (one-time)</u>	<u>(\$5,195)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$5,195)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Local Government

FY 2017  
(10 Mo.)

FY 2018

FY 2019

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Certain technology small businesses could be impacted by this proposal.

FISCAL DESCRIPTION

The proposal allows a county or any municipality to carry out technology business facility projects for economic development; accept grants related to technology business facility projects, and receive gifts and donations from private sources to be used for technology business facilities.

The proposal defines technology business facilities as facilities that are purchased, constructed, extended or improved for the purpose of engaging in wired telecommunications carriers, data processing, hosting, and related services or internet publishing and broadcasting and web search portals.

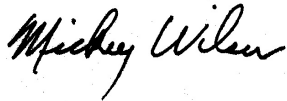
A municipality may enter into loan agreements or sell, lease, or mortgage to private persons development of a technology business facility project. The municipality may forego monetary compensation if it believes this will result in economic value for the municipality.

Lease and rental transactions for the business facility projects are exempt from sales and property taxes. A municipality may sell or dispose of technology business facility property. The term of any sale shall be established by the governing body of the municipality to protect its economic well-being. A person who transfers property to the municipality for purposes of a technology business facility project and does not charge a purchase price retains a right to have the municipality retransfer the donated property to them at not cost.

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 Revenue  
Joint Committee on Administrative Rules  
Office of the Secretary of State  
Office of Administration - Division of Budget and Planning  
Department of Natural Resources



Mickey Wilson, CPA  
Director  
March 1, 2016

Ross Strobe  
Assistant Director  
March 1, 2016