

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1274-01
Bill No.: SB 273
Subject: Business and Commerce; Economic Development; Political Subdivisions;
 Taxation and Revenue - Sales and Use
Type: Original
Date: February 27, 2017

Bill Summary: This proposal would allow municipalities to enter into loan agreements, or sell, lease or mortgage municipal property for a technology business facility project.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** stated this proposal would allow local governments to carry out business facility projects. It would exempt leases from local sales tax, and buildings owned by the local government from property tax.

BAP officials noted this proposal could have a negative impact on Total State Revenues in the event that local governments buy, build, or hold more building properties than they otherwise would have. Further, this proposal could impact the revenue limitation calculation required by the state constitution.

In response to similar legislation filed this year, officials from the **Department of Natural Resources** stated the Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to the Missouri Constitution. Therefore, any additional sales and use tax exemption would reduce revenues to the Parks and Soils Sales Tax Funds.

Officials from the **Forsyth R-III School District** and the **Kirksville R-III School District** assume this proposal would have a negative impact on their organizations but did not provide an estimate of the impact.

Officials from **Boone County** assume there is no negative impact from this proposal. It merely enhances the ability to promote these businesses in the county.

In response to similar legislation filed this year, officials from the **City of Kansas City** stated they were unable to determine the fiscal impact of this proposal on their organization. City officials assume their organization would lose sales and/or property tax revenues for varying terms, depending on the nature of the projects approved. Any project approval assumes those losses would be offset in their entirety (or exceeded) by increases in other revenues generated by the technology business facilities and/or data storage centers.

Officials from the **Office of the Secretary of State**, the **Joint Committee on Administrative Rules**, the **Missouri Department of Conservation**, the **Department of Revenue**, the **Department of Economic Development**, the **West Plains School District**, the **Jackson County Election Board**, the **Kansas City Public Schools**, the **Callaway County**, the **St. Louis County Board of Election Commission**, and the **Platte County Directors of Elections** assume this proposal would have no fiscal impact on their organizations.

ASSUMPTION (continued)

Oversight notes 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 notes these provisions 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 notes that properties owned by local governments would be exempt from property tax under existing law. Since it is unknown if or when such a project would be created, Oversight will indicate a revenue reduction to local governments of \$0 (no projects) or (Unknown) if one or more projects result in a reduction of local government revenue.

Oversight assumes the development or creation of a new project which would be exempt from local sales taxes by action of a local government would not result in a revenue reduction to the state.

	FY 2018 (10 Mo.)	FY 2019	FY 2020
<u>FISCAL IMPACT - State Government</u>			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

	FY 2018 (10 Mo.)	FY 2019	FY 2020
<u>FISCAL IMPACT - Local Government</u>			

LOCAL GOVERNMENTS

<u>Loss</u> - Local government revenues	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
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FISCAL IMPACT - Small Business

A small business involved in a technology project could have a direct fiscal impact from this proposal.

FISCAL DESCRIPTION

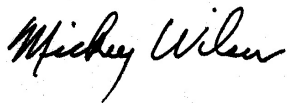
This act would allow the governing body of any municipality to enter into loan agreements, or sell, lease, or mortgage municipal property to private entities for the development of a technology business facility project. Transactions involving the lease or rental of such properties would be exempt from state and local sales taxes and any leasehold interests on such properties would not be subject to property taxes.

The proposal would also allow municipalities to sell or otherwise dispose of municipal property to private entities for technology business facility projects provided that the terms and methods utilized reasonably protect the economic well-being of the municipality. Any private entity which transfers property to the municipality for purposes of a technology business facility project could reserve the right to request that the municipality transfer such property back to the entity at no 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

Office of the Secretary of State
Department of Economic Development
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Missouri Department of Conservation
Department of Natural Resources
Department of Revenue
Boone County
Callaway County
Kansas City Public Schools
City of Kansas City
Forsyth R-III School District
Kirksville R-III School District
West Plains School District
Jackson County Election Board
Platte County Directors of Elections
St. Louis County Board of Election Commission



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February 27, 2017

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