

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4485-03
Bill No.: Perfected SCS for SB 629
Subject: Tax Incentives, Taxation and Revenue - General
Type: Original
Date: February 13, 2018

Bill Summary: This proposal modifies provisions relating to tax increment financing.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (Unknown)
General Revenue	\$0	\$0 or (Could exceed \$22,500,000)	\$0 or (Could exceed \$22,500,000)	Up to \$12,000,000
Total Estimated Net Effect on General Revenue	\$0	\$0 or (Could exceed \$22,500,000)	\$0 or (could exceed \$22,500,000)	Up to \$12,000,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$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 2019	FY 2020	FY 2021	Fully Implemented (Unknown)
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (Unknown)
Total Estimated Net Effect on FTE	0	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 2019	FY 2020	FY 2021	Fully Implemented (Unknown)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal would reduce the annual limit for TIF from the current \$32 million per year to \$10 million from 8/28/2018 through 8/28/2028 and \$20 million per year after 8/28/2028. This proposal also limits the amount of TIF funds to \$3 million per project annually. Certain projects are exempted from these limits. This proposal adds projects for a health information technology employer meeting certain requirements to the list of exempted projects from the cap on redevelopment projects.

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

This proposal may impact other economic activity. B&P cannot estimate the induced revenues.

Officials at the **Department of Economic Development (DED)** and the **Department of Revenue** each assume there is no fiscal impact from this proposal.

DED's budget requests explain the State Tax Increment Financing Program as a program that captures state economic activity taxes generated as a result of planned redevelopment activities within a prescribed area. The net new taxes generated are captured in accordance with the law for approved projects and used to pay eligible redevelopment costs.

Oversight notes this proposal would lower the current annual limit for disbursements from the Missouri Supplemental Tax Increment Financing Fund from \$32 million to \$10 million from August 28, 2018 to August 28, 2028. However this limit applies only to new projects approved after August 28, 2018. Then on August 28, 2028 it would raise the annual limit from the \$10 million to \$20 million.

Oversight notes that this new limit would be on projects that involve buildings with new construction. Oversight notes there is a lag time between when a project is approved, constructed and then collection of the taxes occur. Due to this lag time, Oversight will not show a fiscal impact in the first three years of the fiscal note.

Additionally, projects approved under the Missouri Supplemental Tax Increment Financing Program can receive benefits for up to 23 years. Therefore, projects approved before August 28, 2018 could receive State TIF benefits under the old cap limits for an additional 23 years.

ASSUMPTION (continued)

Therefore, Oversight will show the projected savings of Up to \$12,000,000 (\$32 million - \$20 million) as occurring sometime in the Unknown future.

For informational purposes, General Revenue distributed the following amounts to the Missouri Supplemental Tax Increment Financing Fund (0848) for the program.

FY 2014	\$12,283,512
FY 2015	\$12,788,674
FY 2016	\$15,462,329
FY 2017	\$19,433,134
FY 2018	\$30,103,350* (appropriated)

Some of the projects that are currently participating in this program include:

1. Kansas City Midtown
2. Independence Santa Fe Trail Neighborhood
3. St. Louis City Convention Hotel
4. Springfield Jordan Valley Park
5. Kansas City Bannister Retail / Three Trails Office
6. St. Louis Lambert Airport Eastern Perimeter
7. Old Post Office in Kansas City
8. 1200 Main Garage Project in Kansas City
9. Riverside Levee
10. Branson Landing
11. Easter Jackson County Bass Pro
12. Kansas City East Village
13. St. Louis Innovation District
14. National Geospatial Agency West
15. Fenton Logistics Park
16. Excelsior Springs Elms Hotel and supporting infrastructure (completed and closed)

Oversight notes this proposal includes language that would exempt a health information technology employer with over 15,000 new jobs at an average salary of more than \$75,000 from the new program cap. Oversight assumes that based on the average build time for these projects that FY 2020 would be the first year of potential impact to the State. This project could result in a loss to General Revenue of Greater than \$22,500,000 (15,000 new jobs x \$75,000 salary x 4% income tax withholding rate x 50%).

ASSUMPTION (continued)

Oversight assumes any project that would qualify for and utilize the changes in this proposal would have positive economic benefit to the state as well as to the local political subdivision where the project would be located; however, Oversight considers these benefits to be an indirect effect of the proposal and have not reflected them in the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (Unknown)
GENERAL REVENUE FUND				
<u>Saving</u> - lowered annual limit on the MO Supplemental Tax Increment Financing Fund	\$0	\$0	\$0	Up to \$12,000,000
<u>Loss</u> - new STIF project exempt from annual limit	<u>\$0</u>	\$0 or (Could exceed <u>\$22,500,000</u>)	\$0 or (Could exceed <u>\$22,500,000</u>)	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0 or (Could exceed \$22,500,000)</u>	<u>\$0 or (Could exceed \$22,500,000)</u>	Up to <u>\$12,000,000</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (Unknown)
	<u>\$0</u>	<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

Current law caps the annual amount of new state revenues that may be appropriated to the Missouri Supplemental Tax Increment Financing Fund for redevelopment projects under the Real Property Tax Increment Allocation Redevelopment Act at \$32 million. This act excludes from this cap any annual amounts generated by any single plan or project which is estimated to create in excess of fifteen thousand new jobs with an average annual wage of more than \$75,000.

This act also reduces the Supplemental Tax Increment Financing Fund appropriation cap from \$32 million to \$10 million for redevelopment plans or projects approved on or after August 28, 2018, and before August 28, 2028, and for projects approved prior to August 28, 2018, which are expanded with buildings of new construction. For redevelopment plans or projects approved on or after August 28, 2028, the cap shall increase to \$20 million.

This act also provides that, for redevelopment plans or projects approved prior to August 28, 2018, which are expanded with buildings of new construction, and for all redevelopment plans or projects approved after August 28, 2018, no single redevelopment plan or project shall receive an appropriation that exceeds three million dollars annually.

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 Economic Development
Department of Revenue
Office of Administration
Division of Budget and Planning

Ross Strobe



Acting Director
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