

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0562-01
Bill No.: SB 97
Subject: Taxation and Revenue - Property
Type: Original
Date: February 1, 2019

Bill Summary: This proposal modifies provisions relating to the assessment of certain tax-exempt properties.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Blind Pension	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Local Government	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials at the **State Tax Commission** assume in current law, that properties in Chapter 99.800 -99.865 Tax Increment Financing, Enterprise Zones §135.200 - §135.255 and Urban Redevelopment Chapter 353 are defined as "new construction" for taxing and assessment purposes when the duration of the exemption or reduction expires (usually 10 or more years). This proposal would include this application to Industrial Development Projects Chapter 100 and Enhanced enterprise Zones 135.950-135.97 and Land Clearance Redevelopment Act properties (§99.300-§99.715) when any of the properties no longer qualifies for an exemption or phases out of a program it would be considered "new construction". The fiscal impact on local taxing jurisdictions such as school, cities, counties and other taxing jurisdictions would be an unknown positive fiscal impact as the assessments of these projects would increase as "new construction". The Agency does not have the data to determine the number, status or scale of those projects under this definition that are affected.

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal may impact Total State Revenue and may impact the calculation under Article X, Section 18(e). This proposal would expand the inclusion of total and partial ad valorem tax exemptions that shall be included in the value of new construction and improvements to include all provisions of law, not just those exempt under Sections 99.800 to 99.865, Sections 135.200 to 135.225, and Section 353.110.

If this expansion increases the valuation for certain properties, B&P estimates that this proposal may have a minimal positive impact to Total State Revenue and the Blind Pension Trust Fund.

Officials at the **Missouri Gaming Commission** assume §137.073 of this proposal removes a comment about excess home dock city or county fees as provided in subsection 4 of section 313.820 in the definition of "Tax Revenue". Subsection 4 of section 313.820 is no longer in the RSMO Section 313.820. This is cleanup language. There is nothing else in this bill pertaining to the Missouri Gaming Commission and will have no impact to the Missouri Gaming Commission or the Gaming Fund 0286.

Oversight notes that Article III, Section 38(b) states there is an assessment of three cents on every one hundred dollars of valuation of taxable property that is collected for the Blind Pension Fund. Should local tax assessments increase under this proposal, it could increase funds for the Blind Pension Fund.

ASSUMPTION (continued)

Oversight is unable to determine how many properties would be impacted by the proposal. Oversight notes that should a property meet the definition in this proposal then in the future the property could be assessed as “new construction.” That would increase the local property tax assessments at that time. Oversight will show the impact to Local Political Subdivisions and the Blind Pension Fund as \$0 (no properties or if there are properties, a modified tax levy) to an Unknown increase in property tax revenues.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, county assessors were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to www.legislativeoversight.mo.gov.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
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BLIND PENSION FUND

<u>Revenue - change in “new construction” assessments</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
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LOCAL POLITICAL SUBDIVISION FUNDS

<u>Revenue - change in “new construction” assessments</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISION FUNDS	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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FISCAL IMPACT - Small Business

Small businesses with property that was previously exempted, may be impacted.

FISCAL DESCRIPTION

Current law provides that property that was partially or completely exempt from ad valorem property taxes under the tax increment financing, enterprise zone, and urban redevelopment corporations programs shall be included in the value of new construction and improvements for the purposes of assessed valuations once such property becomes partially or completely subject to taxation. This act expands such provision to cover all such properties under any ad valorem property tax exemption program.

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

Missouri Gaming Commission
Office of Administration Division of Budget and Planning
State Tax Commission



Kyle Rieman
Director
February 1, 2019

Ross Strope
Assistant Director
February 1, 2019