

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2200-01
Bill No.: SB 437
Subject: Taxation and Revenue - Sales and Use; Bonds - General Obligation and Revenue;
 Political Subdivisions
Type: #Updated
Date: April 15, 2019
 #Updated Oversight assumptions with additional information from port authorities

Bill Summary: This proposal authorizes a tax exemption for certain property sales and leases by port authorities.

FISCAL SUMMARY

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Other State Sales Tax Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
#Blind Pension (0621)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on Other State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 7 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 **Office of Administration Division of Budget and Planning (B&P)** assume this proposal may reduce Total State Revenue and the may impact the calculation under Article X, Section 18(e).

Section 68.040.5 would exempt sales and leases of property by a port authority from all local and state sales or property taxes. B&P notes that sales from a port authority to a private entity are currently subject to sales tax. Therefore, B&P estimates that this proposal would exempt sales, such as those of vehicles, from taxation.

This may reduce revenues for the State Road Fund, State Road Bond Fund, State Transportation Fund, School District Trust Fund, Conservation Commission, as well as Parks, Soil, and Water (DNR). This proposal would also reduce local sales tax collections and funds deposited into the Fuel Local Deposit (FLOYD) Fund.

B&P further notes that this proposal would only exempt the sales or lease of such property and not future property tax collections if such a sale were to a private entity. Therefore, B&P estimates that this proposal will not impact the Blind Pension Trust Fund or local property tax collections.

Officials at the **State Tax Commission** assume this would result in a nominal fiscal impact as port authorities have a tax exemption currently in law, and this proposal extends that exemption to leases.

Officials at the **Department of Revenue** and the **Missouri Department of Transportation** each assume there is no fiscal impact from this proposal.

Officials at the **City of Kansas City** assume this tax exemption could have a positive fiscal impact on the City in an indeterminate amount.

Oversight notes there are 15 port authorities in the State. They are:

Howard-Cooper County Regional Port Authority

Jefferson County Port Authority

Kansas City Port Authority

Lewis County-Canton Port Authority

Marion County Port Authority

Mid-America Port Authority

ASSUMPTION (continued)

Mississippi County Port Authority
New Bourbon Regional Port Authority
New Madrid County Port Authority
Pemiscot County Port Authority
Pike - Lincoln County Port Authority
Southeast Missouri Regional Port Authority
St. Joseph Regional Port Authority
St. Louis City Port Authority
St. Louis County Port Authority

Oversight notes that Port Authorities are exempt from state and local assessment taxes. This proposal would extend that tax exemption to all sales and leases of real and personal property by the Port Authority. Oversight will show the impact as \$0 to Unknown to General Revenue, the Other State Sales Tax Funds (including Conservation, School District Trust, Park & Soil, State Road Bond Fund, etc.) and to Local Political Subdivisions fiscal impact in the fiscal note.

#**Oversight** received notice that the New Madrid County Port Authority, Southeast Missouri Regional Port Authority, Howard-Cooper County Regional Port Authority and the Mid-America Port Authority do not currently issue Chapter 68 bonds. The KC Port Authority confirmed they use Chapter 68 bonds to develop property and buildings and then lease those buildings to private companies. Oversight notes that should those properties be currently taxable and then the Port Authority buys them, they become not taxable. If this proposal would exempt those companies that lease the building from paying taxes, then this would be a loss to the state and local governments of taxes due.

#**Oversight** notes it is unsure if this bill will have any impact since, for-profit lessees of property from political subdivisions do not qualify for property tax exemption under Article X, § 6.1, and a statute granting such an exemption was struck down as unconstitutional. *St. Charles County v. Curators of University of Missouri*, 25 S.W.3d 159 (Mo. banc 2000).

#**Oversight** notes this proposal could also impact the Blind Pension Fund (0621). This fund receives money from the annual tax levy of \$0.03 of each \$100 valuation of assessed property. Oversight will show the loss of funding as \$0 to (Unknown).

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE			
<u>Revenue Reduction</u> - DOR §68.040 port authorities exempt from sales tax	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
 OTHER STATE SALES TAX FUNDS			
<u>Revenue Reduction</u> - DOR §68.040 port authorities exempt from sales tax	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT ON OTHER STATE SALES TAX FUNDS	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
 #BLIND PENSION FUND			
<u>#Revenue Reduction</u> - DOR §68.040 port authorities exempt from property tax	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
#ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Reduction</u> - DOR §68.040 port authorities exempt from sales & property tax	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Currently, notes and bonds issued by port authorities are tax exempt. This bill also exempts sales and leases of real or personal property made by or to any port authority involving the use of such tax exempt bonds from taxation.

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

City of Kansas City
Department of Revenue
Missouri Department of Transportation
Office of Administration Division of Budget and Planning
State Tax Commission



Kyle Rieman
Director

Ross Strobe
Assistant Director

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