

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0523S.01I
Bill No.: SB 221
Subject: Auditor, State; Tax Incentives; Political Subdivisions
Type: Original
Date: February 24, 2021

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

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| | | | |
| Total Estimated Net Effect on General Revenue | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------|----------|----------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|------------|------------|------------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| | | | |
| Local Government* | \$0 | \$0 | \$0 |

*Potential fiscal impact nets to zero across all local political subdivisions.

FISCAL ANALYSIS

ASSUMPTION

Section 29.207 – State Auditor – Power to Audit Redevelopment Projects Under Real Property Tax Increment Allocation Redevelopment Act

Oversight notes this section gives the Missouri State Auditor the power to audit any redevelopment project created under the Real Property Tax Increment Allocation Redevelopment Act in the same manner the Missouri State Auditor may audit any agency of the state.

Section 99.805 – Real Property Tax Increment Allocation Redevelopment – Definitions

Oversight notes this section modifies the definition of “Economic Activity Taxes”. This section excludes local sales taxes whose revenue is dedicated to an education program and local sales taxes whose revenue is dedicated to a fire protection district from the definition of Economic Activity Taxes.

Oversight notes this section modifies the definition of “Payment In Lieu of Taxes”. This section excludes any tax levied on real property whose revenue is dedicated to an education program or a fire protection district from the definition of Payment In Lieu of Taxes.

Section 99.820 – Real Property Tax Increment Allocation Redevelopment – Municipalities’ Powers and Duties

Oversight notes this section states that no redevelopment project shall be implemented without such redevelopment plan receiving a recommendation of approval from the corresponding commission(s) created and required under this section.

Section 99.845 – Real Property Tax Increment Allocation Redevelopment – Tax Increment Financing Adoption

Oversight notes this section excludes local sales taxes whose revenue is dedicated to an education program and local sales tax whose revenue is dedicated to a fire protection district from the inclusion in the calculation of revenues generated by economic activities.

Legislation as a Whole –

Officials from the **City of Hale** anticipate this proposed legislation will result in a fiscal impact.

Officials from the **City of Springfield (Springfield)** do not anticipate a fiscal impact from the exclusion of school taxes and fire protection district sales from Economic Activity Taxes since Springfield does not have either type of tax. The exclusion of school taxes and fire protection district taxes from PILOTS will not have a direct cost to Springfield, but not capturing school property taxes essentially removes TIF as a viable economic tool. Therefore, Springfield anticipates an indirect fiscal impact as a result of losing TIF as a tool to incentivize redevelopment of blighted areas in Springfield. Furthermore, per Springfield City Policy, TIF revenues may only be used for blight remediation and public improvements, so the proposed change would limit available funding sources for public improvements in blighted areas.

Officials from the **Florissant Valley Fire Protection District** anticipate this proposed legislation will result in a fiscal impact.

Officials from the **Rolla Rural Fire Protection District** anticipate this proposed legislation will result in a fiscal impact.

Officials from the **St. Clair Fire Protection District** anticipate this proposed legislation will result in a fiscal impact.

Officials from the **Missouri State Auditor's Office**, the **Office of Administration – Budget & Planning Division**, the **Missouri Department of Economic Development**, the **Missouri Department of Revenue**, the **City of Ballwin**, the **City of Bland**, the **City of Corder**, the **City of O'Fallon**, and the **High Point R-III School District** do not anticipate this proposed legislation will result in a fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for these organizations.

Oversight will show a fiscal impact that nets to zero from the economic activity taxes dedicated to education programs and fire protection districts now being retained by those local political subdivisions (LPS) instead of the TIF District. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

| <u>FISCAL IMPACT – State Government</u> | FY 2022 (10 Mo.) | FY 2023 | FY 2024 |
|---|---------------------|------------|------------|
| | | | |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

| <u>FISCAL IMPACT – Local Government</u> | FY 2022 (10 Mo.) | FY 2023 | FY 2024 |
|---|--------------------------|--------------------------|--------------------------|
| | | | |
| LOCAL POLITICAL SUBDIVISIONS | | | |
| <u>TIF Districts</u> – potential loss of economic activity taxes – now retained by other LPSs | \$0 or (Unknown) | \$0 or (Unknown) | \$0 or (Unknown) |
| <u>School Districts</u> – potential to retain additional portion of local sales tax dedicated to education programs | \$0 or Unknown | \$0 or Unknown | \$0 or Unknown |
| <u>Fire Protection Districts</u> – potential to retain additional portion of local sales tax dedicated to fire protection districts | \$0 or <u>Unknown</u> | \$0 or <u>Unknown</u> | \$0 or <u>Unknown</u> |
| | | | |
| ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS | <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

This act authorizes the State Auditor to audit any tax increment financing (TIF) redevelopment project in the same manner that he or she may audit any agency of the state. (Section 29.207)

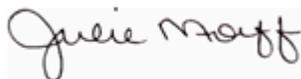
This act also excludes local sales taxes whose revenue is dedicated to education programs or to a fire protection district from the definitions of "economic activity taxes" and "payment in lieu of taxes" for the purposes of funding TIF districts. (Sections 99.805 and 99.845)

This act prohibits the implementation of a TIF redevelopment project without its redevelopment plan receiving approval from the local TIF commission. (Section 99.820)

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 Administration – Budget & Planning Division
Missouri Department of Economic Development
Missouri Department of Revenue
Missouri State Auditor’s Office
City of Ballwin
City of Bland
City of Corder
City of Hale
City of O’Fallon
City of Springfield
Florissant Valley Fire Protection District
Rolla Rural Fire Protection District
St. Clair Fire Protection District
High Point R-III School District



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