

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO. 3361-03
BILL NO. SJR 46
SUBJECT: Taxation and Revenue; Utilities
TYPE: Original
DATE: January 24, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$52,560)	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$52,560)	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume the proposed legislation would result in the need for a new system to administer this tax. The DOR assumes this would create a new tax on kilowatt hours to replace the old local sales tax on electrical energy. There would be start up costs in the DOR and several new systems required. It is assumed this system would require 6,747 overtime hours to create, test and implement and would cost \$165,179. In addition, there would be State Data Center costs of \$29,834 to test and implement the system. DOR also assumes they would need three additional Tax Processing Technicians (3 FTE, each at \$20,172 per year) to start this system.

Officials from the **City of Springfield** assume the proposed legislation could result in a loss of revenue. The proposal does not include a provision for replacement taxes for payments in lieu of taxes for municipalities with municipally owned utilities, such as City Utilities of Springfield. Unless the bill is changed, the City of Springfield would lose as much as \$485,000 per year in the initial year of retail customer choice, with possible increases in the amount each year thereafter.

Officials from the **Department of Natural Resources (DNR)** assume that by exempting generation utilities from property taxes, and collecting the same amount from Missouri consumers, it creates a tax free opportunity for the construction and operation of electrical generation in Missouri. This would be a boost to their ability to sell power to other states, and unless the state they are selling into has a surcharge per kilowatt hour on electrical use in lieu of property taxes, the generation utility would be exempt from property taxes, or an equivalent tax on consumption, and thus be at a competitive advantage when selling outside of Missouri.

The fiscal impact associated with the implementation of this amendment is outside the period examined in the state fiscal note process. However, over the long run, it could be necessary to have expanded staffing for environmental permitting, inspection, technical assistance and compliance efforts in response to the increase in electrical generation facilities based in Missouri.

Oversight assumes the proposed legislation would provide constitutional authority for future legislative enactment to repeal existing utility tax and require a replacement tax based on consumption. The actual fiscal effects will be included at such time as passage of the law.

Officials from the **Office of the Secretary of State (SOS)** assume advertising costs associated with the proposal would be \$52,560 in FY 01. Advertisement costs for the proposal would be \$1,455 per newspaper column inch for the text of the proposal, the introduction, title, fiscal note summary, and affidavit.

ASSUMPTION (continued)

Officials from the **State Tax Commission (TAX)**, **Department of Economic Development - Public Service Commission (PSC)** and the **Department of Economic Development - Office of Public Counsel (OPC)** assume this proposal would not fiscally impact their agencies.

Officials from the **City of St. Louis (STL)** and the **Kansas City Manager (KCM)** did not respond to our fiscal impact request.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
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Costs - Office of the Secretary of State (SOS)			
Newspaper Advertisements	(\$52,560)	\$0	\$0
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ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	<u>(\$52,560)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

This proposal would not be expected to have a direct fiscal impact to small businesses. Subsequent legislation, if passed, may affect small businesses.

DESCRIPTION

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The proposed legislation would propose a constitutional amendment to repeal the existing utility tax and require a replacement tax to be levied on electricity and natural gas providers based on consumption.

This legislation is not federally mandated, would not duplicate any other program and would require additional capital improvements or rental space.

This proposal would not affect Total State Revenues.

SOURCES OF INFORMATION

Department of Revenue
City of Springfield
Department of Natural Resources
Office of the Secretary of State
State Tax Commission
Department of Economic Development
Public Service Commission
Office of Public Counsel

NOT RESPONDING:

City of St. Louis
Kansas City Manager



Jeanne Jarrett, CPA
Director
January 24, 2000