

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2187-04
Bill No.: HCS for SCS for SB 617
Subject: Economic Development; Hotels and Motels; Enterprise Zones.
Type: Original
Date: April 17, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	\$0 to (\$200,000)	\$0 to (\$200,000)	\$0 to (\$200,000)
Total Estimated Net Effect on <u>All</u> State Funds	\$0 to (\$200,000)	\$0 to (\$200,000)	\$0 to (\$200,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
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 Economic Development (DED)** assume the bill will allow hotels and motels in Salem, Missouri/Dent County to qualify for some local tax abatement. There would be no impact on DED or cost to the state, unless it was determined that the bill imposes new duties on the city/county that should be paid for by the state.

DED states Section 135.230 changes the residency requirement for Enterprise Zone credits for SIC Code 3751. This part of the bill is the same as FN 1886-01 which DED initially projected as a \$0 to \$200,000 cost. However, DED has re-evaluated this original response. DED now projects the impact to be \$0. This change in response from 1886-01 is based on additional input from the cycle manufacturer impacted by the SIC Code.

Officials from the **Department of Revenue (DOR)** state they do not anticipate a significant increase in the number of new credits filed. Therefore, DOR will not request additional FTE at this time. However, if DOR is incorrect in this assumption, they will need one Temporary Tax Season Employee for every 75,000 additional credits, one Tax Processing Tech I for every 30,000 additional errors generated and one Tax Processing Tech I for every 3,000 additional pieces of correspondence received regarding this credit. Any FTE needed will be requested during the normal budget process.

In response to similar legislation from this year, officials from the **City of Salem** stated with passage of this legislation, a new 65 room hotel facility will probably be built in their community. The City of Salem estimates the annual revenues from this facility for the city, including sales tax and increased property taxes would be roughly \$11,521. The City of Salem also estimates that gross water and electric revenues for this new facility would be roughly \$60,000 to the City.

Officials from **Dent County** did not respond to our request for fiscal impact.

Oversight assumes the state will not be fiscally impacted from the addition of hotels in Salem to the enterprise zone definitions. Oversight assumes the local taxing and governing authorities may grant an exemption (in whole or in part) of property taxes to this new hotel after holding the required public hearings on the matter, therefore, has estimated the local impact as zero.

Oversight also assumes the expansion of the employees who count toward the residency requirement at the Harley Davidson plant in Kansas City may have a fiscal impact on the state and have used DED's original response.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE			
<u>Costs - Business Facility Tax Credits</u>	<u>\$0 to (\$200,000)</u>	<u>\$0 to (\$200,000)</u>	<u>\$0 to (\$200,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal would fiscally impact those small businesses that are now eligible for the tax credits outlined in this proposal.

DESCRIPTION

This proposal adds hotels and motels operated in Salem (Dent County) to the list of businesses and activities which qualify as a "revenue-producing enterprise" for purposes of enterprise zone tax relief laws. The proposal explicitly prohibits eligibility of these hotels and motels for state enterprise zone tax credits, but allows them to be eligible for real property improvement exemptions, regardless of the number of new jobs created or maintained.

Current law requires that fifteen percent (15%) of the employees of a "new business facility described as Standard Industrial Classification (SIC) 3751" must meet certain eligibility requirements in order for the new business facility to be granted the tax credits and exemptions available to a business located within an Enterprise Zone. Currently, the Harley-Davidson plant in Kansas City is the only SIC 3751 business located in the state of Missouri.

This proposal broadens the class of employees who count toward achieving the fifteen-percent requirement, in that it allows Harley-Davidson to count current employees who resided within the Enterprise Zone on the initial date of their employment and for 90 days thereafter regardless of whether the employee continues to reside within the Enterprise Zone on the date of the count, as long as the employee continues to reside in Missouri.

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
City of Salem

NOT RESPONDING: DENT COUNTY



Jeanne Jarrett, CPA
Director

April 17, 2001