

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2656-01
Bill No.: SB 885
Subject: Enterprise Zones; Economic Development; Revenue Department.
Type: Original
Date: January 28, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$180,000)	(\$180,000)	(\$180,000)
Total Estimated Net Effect on <u>All</u> State Funds*	(\$180,000)	(\$180,000)	(\$180,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government*	\$0	\$0	\$0

* The fiscal impact could be divided between the General Revenue Fund and the County Foreign Insurance Fund (which ultimately goes to local school districts) if some of the tax credits are utilized against insurance premium taxes.

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

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state this bill authorizes three new satellite enterprise zones in Springfield. DED does not feel the bill has enough immediate impact on DED to warrant additional personnel or expenditures. At some point in the future, enough additional enterprise zone credits could be issued that would require an additional person. At that time, DED would request additional funding.

DED states the average cost for each satellite enterprise zone is \$60,000 per year as opposed to \$352,000 per regular enterprise zone. This bill authorizes three new satellite enterprise zones.

Officials from the **City of Springfield** assume this proposal would have no fiscal impact on their City.

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.

Officials from the **Department of Insurance (INS)** state the designation of additional enterprise zones will increase the areas that receive enterprise zone tax credits. INS is unable to project how much in additional tax credits may be generated and what effect it will have on premium tax collections. Premium taxes are split between GR and the County Foreign Insurance fund which is later distributed to school districts. Fiscal impact will be an unknown loss of revenue to GR and the County Foreign Insurance fund.

Oversight assumes the local taxing and governing authorities may grant an exemption (in whole or in part) of property taxes to new or expanding businesses after holding the required public hearings on the matter, therefore, has estimated the local impact as zero. Oversight has reflected the estimated tax revenue loss to the General Revenue fund, however, since insurance companies are considered eligible applicants for the Enterprise Zone tax credit program, that loss could be split between the General Revenue fund and the County Foreign Insurance Fund (which is distributed to the local school districts). The fiscal note does not reflect any direct or indirect positive result that may occur because of the tax credits issued.

This proposal may impact Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE			
<u>Loss - Enterprise Zone Tax Credits</u>	<u>(\$180,000)</u>	<u>(\$180,000)</u>	<u>(\$180,000)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$180,000)</u>	<u>(\$180,000)</u>	<u>(\$180,000)</u>

Note: This does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact on those small businesses in newly created satellite zones within the City of Springfield.

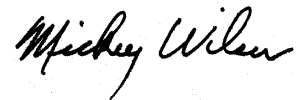
DESCRIPTION

This proposal authorizes the City of Springfield, in cooperation with the Director of the Department of Economic Development, to designate up to three satellite zones within the City. The Director must approve the City's overall plan for enterprise zone and satellite zone use prior to the designation.

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
Department of Insurance
City of Springfield



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Acting Director
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