

COMMITTEE ON LEGISLATIVE RESEARCH
 OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3774-03
Bill No.: SB 1023
Subject: Taxation and Revenue; Economic Development; Cities, Towns and Villages.
Type: #Corrected
Date: February 26, 2002
 # Corrected Oversight assumptions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
#General Revenue	(Minimal)	(Minimal)	(Minimal)
#Total Estimated Net Effect on All State Funds	(Minimal)	(Minimal)	(Minimal)

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
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)** state this bill appears to have no fiscal impact on their agency. It only redistributes credits that already exist. The changes to this version are in the definition of new residence and in Section 135.530 (Tax Credits for Investment in, or relocating a business to, a distressed community).

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. DOR will monitor the credit and any FTE needed will be requested during the normal budget process.

#Oversight assumes the proposal changes the definition of “distressed communities” in Section 135.530. This definition is used by various programs under DED, including CAPCO, Tax Credit for Contributions to Innovation Centers, Credit for New or Expanded Business Facilities as well as others. While some of these programs are capped, the New or Expanding Business Facility tax credit is not capped. A business in a newly created distressed community would be allowed a larger tax credit for expanding an existing business or creating a new business facility than they would if they were not in the newly defined distressed community. Companies not in a distressed communities are allowed the credit, but at a lower per-employee and per-capital rate. With DED’s assumption that expanding the definition of distressed communities would have no impact (or certainly negligible) on the amount of tax credits utilized, Oversight assumes this proposal would have a minimal fiscal impact on the General Revenue Fund.

#Oversight assumes this proposal may result in the increased utilization of some of the various tax credit programs that use this definition, however, many of the programs are capped, therefore, Oversight has already reflected the potential losses to the General Revenue fund in previous fiscal notes.

Officials from the **City of Kansas City, City of St. Louis** and the **City of Springfield** did not respond to our request for fiscal impact.

FISCAL IMPACT - State Government

FY 2003
(10 Mo.)

FY 2004

FY 2005

#GENERAL REVENUE FUND

RS:LR:OD (12/01)

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
#Loss - Expansion of definition of "distressed community"	<u>(Minimal)</u>	<u>(Minimal)</u>	<u>(Minimal)</u>
#ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(Minimal)</u>	<u>(Minimal)</u>	<u>(Minimal)</u>

<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 may impact those small businesses located in the new or expanded "distressed communities"

DESCRIPTION


This proposal expands the definition of a "distressed community". A distressed community will include areas within metropolitan statistical areas that are designated as either a federal empowerment zone, a federal enhanced enterprise community, or state enterprise zones designated prior to January 1, 1986, but will not include the expansion of those zones done after March 16, 1988.

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

NOT RESPONDING: City of Kansas City, City of St. Louis, City of Springfield

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Acting Director
February 26, 2002