

HB 930 -- DUTY FREE ZONES ACT

SPONSOR: Hughes

COMMITTEE ACTION: Voted "do pass" by the Committee on Urban Issues by a vote of 7 to 0.

This bill establishes the Duty Free Zones Act which authorizes the creation of tax-free or reduced-tax zones.

The governing body of any city may designate a portion of the city as a duty-free zone and grant the district tax-favored status for up to 23 years by adopting an ordinance. The ordinance must contain:

- (1) A statement that the proposed duty-free zone is a blighted area located within a qualified census tract;
- (2) The reduced tax rate or tax-favored status granted to the zone;
- (3) The term and conditions of the tax-favored status;
- (4) The general boundaries of the proposed duty-free zone by street location; and
- (5) The name of the duty-free zone.

Prior to the adoption of the ordinance, the city must hold a public hearing. The bill specifies the requirements for the hearing including the public's notification.

The city cannot provide a duty-free zone with tax-favored status unless the ordinance adopted by the city's governing body is approved by the Missouri Development Finance Board within the Department of Economic Development. Upon adoption of the ordinance, the city must submit an application to the department for review. The department will submit an analysis and recommendation to the board, which will determine whether or not the zone's designation should be approved. The bill specifies the requirements of the application, which must include an affidavit attesting to the fact that the proposed zone is a blighted area. The department must make all reasonable efforts to process applications within 60 days of receipt.

Upon approval of tax-favored status for a duty-free zone, a certificate of approval will be issued by the department containing the reduced tax rate or tax-favored status and the term. Any business located within the duty-free zone may receive tax-favored status for up to 15 years.

No city may have more than one duty-free zone at any given time. Any tax funds collected in a duty-free zone must be deposited into the newly created Blighted Area Restoration Fund and used to restore any blighted area within the duty-free zone.

FISCAL NOTE: Estimated Cost on General Revenue Fund of \$0 or Unknown in FY 2010, FY 2011, and FY 2012. No impact on Other State Funds in FY 2010, FY 2011, and FY 2012.

PROPONENTS: Supporters say that the bill provides community empowerment during hard economic times for redevelopment projects. The bill allows communities to keep the sales tax that is usually paid to the state and to use the funds for rebuilding the infrastructure of their city. A board will be responsible for the governance of the funds. There is a minimal fiscal impact because the eligible zones are already low economic drivers for sales tax revenue.

Testifying for the bill were Representative Hughes; Greater Kansas City Chamber of Commerce; and City of Kansas City.

OPPONENTS: There was no opposition voiced to the committee.