

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0625-01
Bill No.: HB 142
Subject: Utilities; Property, Real and Personal; Taxation and Revenue - Property
Type: Original
Date: January 11, 2017

Bill Summary: This proposal authorizes telephone companies to elect to have their tangible personal property assessed in accordance with a depreciation schedule.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Blind Pension Fund	\$0	(\$45,618 to \$91,235)	(\$45,618 to \$91,235)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(\$45,618 to \$91,235)	(\$45,618 to \$91,235)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Local Government	\$0	(\$3,045,880 to \$6,091,762)	(\$3,045,880 to \$6,091,762)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **State Tax Commission (TAX)** estimates the fiscal impact to local taxing jurisdictions (cities, counties, fire districts, etc) will be \$3,045,880 to \$6,091,762. The proposal has provisions which provide that school districts are held harmless from the reductions in assessed valuations in telecommunications. School districts represent 66% of property tax liability. The State Tax Commission estimate is based on the following:

- Total Assessed Valuation of Telephone Companies valued by TAX: **\$608,233,531**
- Current Tax Dollars Generated (based on average levy of \$6.07): **\$36,919,775**
- Projected Range of Assessed Value if proposed legislation enacted: **\$304,116,765 - \$456,175,148**
- Fiscal Impact (Potential Revenue Loss) to the taxing districts in Missouri: **\$3,045,880-\$6,091,762**
- Fiscal Impact (Potential Revenue Loss) to the Blind Pension Fund (based on a tax levy of \$.03): **\$45,618-\$91,235**

Officials from the **West Plains Public School District**, the **Kirksville Public School District** and the **Campbell Public School District** each assume the proposal will have an negative unknown fiscal impact on public schools.

In response to a similar proposal (HCS/HB 1898) from 2015, officials from the **County of Boone** assumed this proposal would cost its taxing entities about \$232,000 annually. As an example, the tax on a single \$5,000,000 aircraft would be reduced from \$110,000 to \$16,500.

Officials from the **Office of the State Auditor**, the **Department of Revenue**, the **Malta Bend Public School District**, the **Middle Grove Public School District**, **Wright City School District**, the **Kansas City Public School District**, **Platte County**, **Callaway County**, the **Jackson County Board of Election Commissioners** and the **Metropolitan St. Louis Sewer District** each assume the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
BLIND PENSION FUND			
<u>Loss</u> - Reduction of Property Tax Collections	<u>\$0</u>	(\$45,618 to <u>\$91,235</u>)	(\$45,618 to <u>\$91,235</u>)
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	<u>\$0</u>	(\$45,618 to <u>\$91,235</u>)	(\$45,618 to <u>\$91,235</u>)

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss</u> - Reduction of Property Tax Collections Loss	<u>\$0</u>	(\$3,045,880 to <u>\$6,091,762</u>)	(\$3,045,880 to <u>\$6,091,762</u>)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	(\$3,045,880 to <u>\$6,091,762</u>)	(\$3,045,880 to <u>\$6,091,762</u>)

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

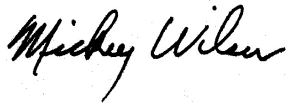
FISCAL DESCRIPTION

Currently, a telephone company has their tangible personal property assessed in the same manner as a railroad. This bill allows a telephone company to annually elect to have their tangible personal property assessed in accordance with depreciation schedules.

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

State Tax Commission
Office of the State Auditor
Department of Revenue
West Plains Public School District
Kirksville Public School District
Campbell Public School District
Malta Bend Public School District
Middle Grove Public School District
Wright City School District
Kansas City Public School District
Platt County
Callaway County
Jackson County Board of Election Commissioners
Metropolitan St. Louis Sewer District



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