

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0625-03
Bill No.: Perfected HCS for HB 142
Subject: Utilities; Property, Real and Personal; Taxation and Revenue - Property
Type: Original
Date: March 29, 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	(Up to \$91,235)	(Up to \$91,235)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(Up to \$91,235)	(Up to \$91,235)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 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	(Up to \$6,091,762)	(Up to \$6,091,762)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **State Tax Commission (TAX)** estimate 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**

In response to a previous version, officials from the **West Plains Public School District**, the **Kirksville Public School District** and the **Campbell Public School District** each assumed the proposal will have a negative unknown fiscal impact on public schools.

Officials from the **Department of Revenue**, the **Office of the State Auditor** and the **Metropolitan St. Louis Sewer District** each assume the proposal will have no fiscal impact on their respective organizations.

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.

In response to a previous version, officials from 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** and the **Jackson County Board of Election Commissioners** each assumed the proposal will have no fiscal impact on their respective organizations.

ASSUMPTION (continued)

Oversight assumes there are many variables that could change the fiscal impact of this proposal, including:

- Not all local political subdivisions' property tax rates are at their ceiling. Therefore, if the assessed valuation of telephone companies is decreased as a result of this proposal, local political subdivisions may be able to increase their tax rate to make up the difference. In this scenario, all other property tax owners in the political subdivision would pay more in property tax to make up the decrease paid by telephone companies.
- If a local political subdivision's tax levy is already at the ceiling allowed, then the local political subdivision will realize a decrease in tax revenue if a telephone company within its political subdivision pays less property taxes as a result of this proposal.
- If a school district's tax levy is below its ceiling, but some other political subdivisions (county, library, fire protection, etc.) are already at their ceiling, then the property tax levy could be increased for some political subdivisions, but not for others, resulting in some realizing a loss in property taxes, and others not.
- If a school district is paid less in property tax from a telephone company as a result of this bill, that school district is then allowed to directly bill a fee to the telephone company for the difference, which may result in the school district being held harmless.
- Oversight has no information regarding in what school districts the \$608,233,531 assessed valuation of telephone companies is situated, and subsequently, if the school districts are at (or close to) their property tax levy ceilings. The loss estimate provided by the State Tax Commission is a state aggregate.

Because of the several unknown variables listed above, Oversight, will simply reflect a range of "Up to" the State Tax Commissions largest estimated loss.

<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>	<u>(Up to \$91,235)</u>	<u>(Up to \$91,235)</u>
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	<u>\$0</u>	<u>(Up to \$91,235)</u>	<u>(Up to \$91,235)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
LOCAL POLITICAL SUBDIVISIONS			
<u>Income</u> - School Districts - are allowed to bill telephone companies to recoup loss in property tax revenue resulting from bill		\$0 or Unknown	\$0 or Unknown
<u>Loss</u> - Reduction of Property Tax Collections Loss	<u>\$0</u>	<u>(Up to \$6,091,762)</u>	<u>(Up to \$6,091,762)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>(Up to \$6,091,762)</u>	<u>(Up to \$6,091,762)</u>

FISCAL IMPACT - Small Business

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

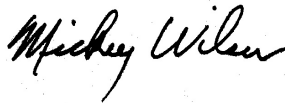
FISCAL DESCRIPTION

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. The proposal also allows school districts that realize a reduction in property taxes as a result of this change, to bill the telephone company for the reduction.

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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