

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1048-01  
Bill No.: HB 389  
Subject: Tax Incentives; Economic Development; Political Subdivisions; Taxation and Revenue - Sales and Use  
Type: Original  
Date: February 20, 2017

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Bill Summary: This proposal would authorize municipalities to establish technology business facility projects, and would authorize tax exemptions for such projects.

**FISCAL SUMMARY**

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 8 pages.

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

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

☐ 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
<b>Local Government</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** stated this proposal would allow local governments to carry out business facility projects. It would exempt leases from local sales tax, and buildings owned by the local government from property tax.

BAP officials noted this proposal could have a negative impact on Total State Revenues in the event that local governments buy, build, or hold more building properties than they otherwise would have. Further, this proposal could impact the revenue limitation calculation required by the state constitution.

Officials from the **Department of Natural Resources** stated the Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to the Missouri Constitution. Therefore, any additional sales and use tax exemption would reduce revenues to the Parks and Soils Sales Tax Funds.

Officials from the **Forsyth R-III School District** and the **Kirksville R-III School District** assume this proposal would have a negative impact on their organizations but did not provide an estimate of the impact.

Officials from **Boone County** stated the effective tax rate for commercial real property in Boone County is about 2.5%, which translates into about \$25,000 annual property tax for a property with market value of \$1 million. The effective tax rate for business personal property in Boone County is about 2.3%, so the \$1 million of personal property would result in about \$23,000 of personal property tax annually. If this proposal was implemented, the taxing entities in Boone County would lose 2.3% to 2.5% of the fair market value of any proposed project each year.

Officials from the **City of Kansas City** stated they were unable to determine the fiscal impact of this proposal on their organization. City officials assume their organization would lose sales and/or property tax revenues for varying terms, depending on the nature of the projects approved. Any project approval assumes those losses would be offset in their entirety (or exceeded) by increases in other revenues generated by the technology business facilities and/or data storage centers.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State**, the **Joint Committee on Administrative Rules**, the **Missouri Department of Conservation**, the **Department of Revenue**, the **West Plains School District**, the **Jackson County Election Board**, and the **Platte County Directors of Elections** assume this proposal would have no fiscal impact on their organizations.

**Oversight** notes this proposal does not require a minimum investment in a new facility or a minimum investment in an expanding facility. Oversight is not aware of any existing or planned projects which could qualify for the program.

**Oversight** notes these provisions would allow but not require local governments to participate in business facility projects; the projects would be the result of a future local government decision. In addition, Oversight notes that properties owned by local governments would be exempt from property tax under existing law. Since it is unknown if or when such a project would be created, Oversight will indicate a revenue reduction to local governments of \$0 (no projects) or (Unknown) if one or more projects result in a reduction of local government revenue.

**Oversight** assumes the development or creation of a new project which would be exempt from local sales taxes by action of a local government would not result in a revenue reduction to the state.

Officials from the following counties: Andrew, Atchison, Audrain, Barry, Benton, Bollinger, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Cole, Cooper, Daviess, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Mississippi, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne, Webster and Worth did not respond to our request for information.

Officials the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to our request for information.

ASSUMPTION (continued)

Officials from the following school districts: Arcadia Valley R-2, Avilla R-13, Bakersfield, Belton, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Bowling Green R-1, Branson, Brentwood, Bronaugh R-7, Campbell R-2, Carrollton R-7, Caruthersville, Cassville R-4, Central R-III, Chilhowee R-4, Chillicothe R-II, Clarkton C-4, Cole R-I, Columbia, Concordia R-2, Crawford County R-1, Crocker R-II, Delta C-7, East Carter R-2, East Newton R-6, Eldon R-I, Everton R-III, Fair Grove, Fair Play, Fayette R-3, Fox C-6, Fredericktown R-I, Fulton, Grain Valley, Hancock Place, Hannibal, Harrisonburg R-8, Harrisonville, Hillsboro R-3, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jefferson City, Kansas City, Kearney R-1, Kennett #39, King City R-1, Kingston 42, Kirbyville R-VI, Lee Summit, Leeton R-10, Lewis County C-1, Lindbergh, Lonedell R-14, Macon County R-1, Macon County R-4, Malta Bend, Mehville, Meramec Valley R-3, Mexico, Middle Grove C-1, Midway R-1, Milan C-2, Moberly, Monroe City R-I, Morgan County R-2, New Haven, Nixa, North St. Francois Co. R-1, Northeast Nodaway R-5, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osage County R-II, Osborn R-O, Parkway, Pattonville, Pettis County R-12, Pierce City, Plato R-5, Princeton R-5, Raymore-Peculiar R-III, Raytown, Reeds Springs R-IV, Renick R-5, Richland R-1, Richmond R-XVI, Riverview Gardens, Salisbury R-4, Sarcoxie R-2, Scotland County R-I, Sedalia, Seymour R-2, Shelby County R-4, Shell Knob #78, Sikeston, Silex, Smithville R-2, Special School District of St. Louis County, Spickard R-II, Springfield, St Joseph, St Louis, St. Charles, St. Elizabeth R-4, Sullivan, Valley R-6, Verona R-7, Warren County R-3, Warrensburg R-6, Webster Groves, Westview C-6 and the Wright City R-2 School District did not respond to our request for information.

FISCAL IMPACT - State Government

FY 2018  
(10 Mo.)

FY 2019

FY 2020

\$0

\$0

\$0

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
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## LOCAL GOVERNMENTS

	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>
<u>Loss</u> - Local government revenues			

<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>\$0 or</u> <u>(Unknown)</u></b>	<b><u>\$0 or</u> <u>(Unknown)</u></b>	<b><u>\$0 or</u> <u>(Unknown)</u></b>
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## FISCAL IMPACT - Small Business

A small business involved in a technology project could have a direct fiscal impact from this proposal.

## FISCAL DESCRIPTION

The proposed legislation would allow a county or any municipality to carry out technology business facility projects for economic development; accept grants from the federal and state governments for technology business facility project purposes, and enter into an agreement that is not contrary to the laws of this state. The county or municipality may receive gifts and donations from private sources to be used for technology business facility project purposes.

The governing body of the municipality could enter into loan agreements or sell, lease, or mortgage to private persons, partnerships, or corporations any one or more of the components of a facility of the municipality for the development of a technology business facility project. If, in the judgement of the governing body of the municipality, the project would result in economic benefits to the municipality, the governing body may lawfully enter into an agreement that includes nominal monetary consideration to the municipality in exchange for the use of one or more components of the facility.

FISCAL DESCRIPTION (continued)

Transactions involving the lease or rental of any components of a project under these provision would be specified under these provisions, would be specifically exempted from specified state and local sales taxes and any leasehold interests held or granted would not be subject to property taxes. Any payments in lieu of taxes expected to be made by any lessee of the project would be applied as specified in the proposal. The lessee could reimburse the municipality for its actual costs of administering the plan. Amounts paid in excess of actual costs would be disbursed to each affected taxing entity in proportion to the current ad valorem tax levy of each affected taxing entity.

The county assessor would include the current assessed value of all property within the affected taxing entities in the aggregate valuation of assessed property entered upon the assessor's book and the value would be included in the calculation of any local government constitutional debt limitation.

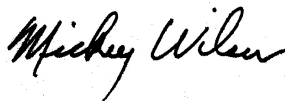
The governing body of any municipality could sell or otherwise dispose of the property or buildings acquired under these provisions to private persons or corporations for technology business facility project purposes. Any private person or corporation that initially transfers property to the municipality at no cost for purposes of a technology business facility project could retain the right, upon request to the municipality, to have the municipality transfer back the donated property at no cost.

These proposal would not allow a political subdivision to provide telecommunications services or telecommunications facilities to the extent they are currently prohibited under state law.

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

Office of the Secretary of State  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Missouri Department of Conservation  
Department of Natural Resources  
Department of Revenue  
Boone County  
City of Kansas City  
Forsyth R-III School District  
Kirksville R-III School District  
West Plains School District  
Jackson County Election Board  
Platte County Directors of Elections



Mickey Wilson, CPA  
Director  
February 20, 2017

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