

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0385H.03C
 Bill No.: HCS No. 2 for HB 288
 Subject: Health, Public; Counties; County Officials; County Government; Tax Credits;
 Business and Commerce; Taxation and Revenue - Property; Taxation and
 Revenue - Income
 Type: Original
 Date: March 17, 2021

Bill Summary: This proposal modifies provisions relating to health emergencies.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	\$0 or (Unknown, could exceed \$2,000,000)	\$0 or (Unknown, could exceed \$2,000,000)	\$0 or (Unknown, could exceed \$2,000,000)
Total Estimated Net Effect on General Revenue	\$0 or (Unknown, could exceed \$2,000,000)	\$0 or (Unknown, could exceed \$2,000,000)	\$0 or (Unknown, could exceed \$2,000,000)

*§1.600 requires the state to reimburse political subdivisions an unknown amount for lost revenue. §§135.1400 and 135.1402 tax credits due to potential future shut downs are unknown (no annual cap), but it is assumed could exceed \$1,000,000 each, depending on the occurrence and duration of shutdowns.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government*	\$0	\$0	\$0

*Unknown lost revenue due to a shutdown order and state reimbursement net to \$0.

FISCAL ANALYSIS

ASSUMPTION

§1.600 – Business shut downs

Officials from the **Department of Revenue (DOR)** state this proposal starting August 28, 2021 would require the state to reimburse political subdivisions all lost revenue due to a political subdivision shutting down businesses under a declared state of emergency. At the time of the preparation of the fiscal note, the DOR is unaware of any local shut down orders and assumed there is no fiscal impact from this proposal. Should a state or local shut down order occur after August 28, 2021, then the state would have a fiscal impact but the amount is unknown.

Oversight has no information to the contrary and will present DOR's impact as \$0 or (Unknown) cost to the General Revenue Fund for funds transferred to local political subdivisions.

§135.1400 – Personal property tax credit

Officials from the **DOR** state beginning with all tax years on or after January 1, 2021, a qualified taxpayer shall be allowed a tax credit equal to the taxpayer's qualified amount of personal property tax. A qualified taxpayer is a business located in an area that is shutdown during the tax year by a political subdivision or government entity.

The amount of the tax credit is up to \$50,000 dollars per tax year and is based on the length of time the business is shut down. This proposal outlines a table based on the days of a shut down and the percentage of personal property tax eligible for the credit.

At the time of the preparation of the fiscal note, the DOR is unaware of any local shut down orders that may be in effect and therefore, assumes there is no fiscal impact from this proposal. Should a shutdown order be issued, it could result in a significant fiscal impact that could potentially exceed \$1 million.

The DOR notes this proposal would become effective with tax year 2021 and the first time a filer could claim the credit would be starting January 1, 2022 (FY 2022).

Oversight has no information to the contrary and will present DOR's impact as \$0 or (Unknown, could exceed \$1,000,000) reduction in revenue to the General Revenue Fund for the personal property tax credit if a business is located in an area shut down by a political subdivision or government entity.

Officials from the **Newton County Health Department (NCHD)** state this proposal would have a negative, but minimal fiscal impact on their organization; less than \$56,000 annually. NCHD receives approximately \$56,000 in personal property tax so if there are citizens who become exempt or if shutdowns provide an exemption, this would be about the maximum negative amount. Therefore, unless there are widespread exemptions, the impact would be very minimal.

Oversight notes NCHD assumes the fiscal impact on their organization would be minimal if there was a shut down. Therefore, for fiscal note purposes Oversight assumes no fiscal impact for this organization.

§135.1402 – Real property tax credit

Officials from the **DOR** state beginning with all tax years on or after January 1, 2021, a qualified taxpayer shall be allowed a tax credit equal to the taxpayer's qualified amount of real property tax. A qualified taxpayer is a business located in an area that is shut down during the tax year by a political subdivision or government entity.

The amount of the tax credit is up to \$50,000 dollars per tax year and is based on the length of time the business is shut down. This proposal outlines a table based on the days of a shut down and the percentage of real property tax eligible for the credit.

At the time of the preparation of the fiscal note, the DOR is unaware of any local shut down orders that may be in effect and therefore, assumes there is no fiscal impact from this proposal. Should a shutdown order be issued, it could result in a significant fiscal impact that could potentially exceed \$1 million.

The DOR notes this proposal would become effective with tax year 2021 and the first time a filer could claim the credit would be starting January 1, 2022 (FY 2022).

Oversight has no information to the contrary and will present DOR's impact as \$0 or (Unknown, could exceed \$1,000,000) reduction in revenue to the General Revenue Fund for the real property tax credit if a business is located in an area shut down by a political subdivision or government entity.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$5,000. The

Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, they reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Bill as a whole

Officials from the **State Tax Commission (STC)** state the STC has reviewed HCS HB 288 (.03C) and determined an unknown fiscal impact on State of Missouri revenue. The act proposes as of January 1, 2021, a qualified taxpayer defined as “any business organization located in this state” shall be allowed to claim a tax credit against personal property taxes owed against the taxpayer's state income tax liability. The credit is a percentage of the taxpayer's total personal property tax liability included in the taxpayer's qualified amount of the duration of the taxpayer's shut down by a political subdivision. The agency does not have data to determine the fiscal impact or the number of potential qualifying taxpayers under the proposed criteria of the act, however, as an example, the total assessed personal property for St Louis County in 2020 was \$3,791,847,570 (STC Annual Report) and an additional \$142,766,775 in assessed valuation in personal property in centrally assessed (state) valuation.

Officials from the **Department of Commerce and Insurance**, the **Department of Health and Senior Services**, the **City of Claycomo** and the **City of Springfield** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **Office of Administration - Budget and Planning** did not respond to Oversight's request for a statement of fiscal impact.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, local public health agencies, and various county officials were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Transfer-out to local political subdivisions (\$1.600)</u>			
Reimbursement to local political subdivisions for revenue lost due to shutdown	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue reduction (\$135.1400) – Personal property tax credits</u>	\$0 or (Unknown, could exceed \$1,000,000)	\$0 or (Unknown, could exceed \$1,000,000)	\$0 or (Unknown, could exceed \$1,000,000)
<u>Revenue reduction (\$135.1402 – Real property tax credits</u>	<u>\$0 or (Unknown, could exceed \$1,000,000)</u>	<u>\$0 or (Unknown, could exceed \$1,000,000)</u>	<u>\$0 or (Unknown, could exceed \$1,000,000)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0 or (Unknown, could exceed \$2,000,000)</u>	<u>\$0 or (Unknown, could exceed \$2,000,000)</u>	<u>\$0 or (Unknown, could exceed \$2,000,000)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Transfer-in from General Revenue Fund (\$1.600)</u>			
Replacement for revenues lost during business shutdown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Loss – Cities and Counties (\$1.600)</u>			
Business License fee revenue loss due to business shutdown	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

This proposal could impact small businesses that may be shut down to an order in that it provides personal and real property tax credits. (§§135.1400 and 135.1402)

FISCAL DESCRIPTION

If a business is closed for at least 60 days solely due to a shutdown order, any business license fee shall be waived for the business during the period of the shutdown order or six months, whichever is more. Fees for a business license may be prorated. A shutdown order means any order by the state, or an agency or political subdivision, to close a business during a state of emergency declared by the governor that is caused by a reason outside the business's control. The state shall reimburse political subdivisions for revenues lost due to this section. (§1.600)

The provisions of this proposal provide that beginning with all tax years on or after January 1, 2021, a qualified taxpayer shall be allowed a tax credit equal to the taxpayer's qualified amount of personal property tax. A qualified taxpayer is a business located in an area that is shutdown during the tax year by a political subdivision or government entity. The amount of the tax credit is up to \$50,000 dollars per tax year and is based on the length of time the business is shut down. (§135.1400)

The provisions of this proposal provide that beginning with all tax years on or after January 1, 2021, a qualified taxpayer shall be allowed a tax credit equal to the taxpayer's qualified amount of real property tax. A qualified taxpayer is a business located in an area that is shut down during the tax year by a political subdivision or government entity. The amount of the tax credit is up to \$50,000 dollars per tax year and is based on the length of time the business is shut down. (§135.1402)

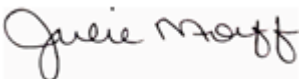
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Commerce and Insurance
Department of Health and Senior Services
Department of Revenue
Joint Committee on Administrative Rules
Office of the Secretary of State
State Tax Commission
City of Claycomo
City of Springfield
Newton County Health Department

NOT RESPONDING

Office of Administration –
Budget and Planning



Julie Morff
Director
March 17, 2021



Ross Strope
Assistant Director
March 17, 2021