

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1576-01
Bill No.: SB 305
Subject: Taxation and Revenue - Property; Telecommunications; Utilities
Type: Original
Date: March 16, 2015
#Updated to account for local and state fiscal impacts.

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 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
#Blind Pension	(\$76,029 to \$114,044)	(\$91,235 to \$136,853)	(\$91,235 to \$136,853)
#Total Estimated Net Effect on <u>Other</u> State Funds	(\$76,029 to \$114,044)	(\$91,235 to \$136,853)	(\$91,235 to \$136,853)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
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 2016	FY 2017	FY 2018
#Local Government	(\$7,691,617 to \$15,383,239)	(\$9,229,940 to \$18,459,887)	(\$9,229,940 to \$18,459,887)

FISCAL ANALYSIS

ASSUMPTION

#Officials from the **State Tax Commission (TAX)** state the fiscal impact from this proposal is difficult to project with the primary impact being on the taxing districts throughout the state. Telephone Companies electing to be assessed for property other than land and buildings pursuant to Section 137.122 do not currently report this property in a manner that allows TAX to definitively project the impact of this proposal. TAX was able to acquire the necessary information utilized in Section 137.122 on 4 telephone companies operating in Missouri. The results of these calculations varied greatly ranging in a reduction of 14% to 77% in the taxable valuation of the qualifying property. The impact of this legislation will vary significantly from company to company and will be influenced by criteria such as the age of the property being valued and the percentage of the overall valuation that is attributed to Land and Buildings. Upon review of the 67 telephone companies the TAX values, their prior renditions, and afore - mentioned data, our estimates are that the overall impact to the assessed value of telephone companies will reduce by 25% to 50%.

- 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: **\$9,229,940- \$18,459,887**

#**Oversight** assumes there will be a negative fiscal impact to local political subdivisions based on the estimate provided by TAX. In addition, the Blind Pension Fund will lose \$.03 of every \$1.00 of assessed value lost.

Officials from the **Office of the State Auditor** assume the current proposal would not fiscally impact their agency.

#Officials from the **County of St. Louis** assume the current proposal would not fiscally impact their agency.

#Officials from the **County of Boone** assume this proposal will reduce telecommunication companies' property taxes owed by 20% to 25%. The county taxing entities would lose \$166,500 to \$208,000 annually.

<u>#FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
BLIND PENSION FUND			
<u>Loss - Reduction of Property Tax Collections</u>	(\$76,029 to <u>\$114,044</u>)	(\$91,235 to <u>\$136,853</u>)	(\$91,235 to <u>\$136,853</u>)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>(\$76,029 to \$114,044)</u>	<u>(\$91,235 to \$136,853)</u>	<u>(\$91,235 to \$136,853)</u>

<u>#FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss - Reduction of Property Tax Collections</u>	(\$7,691,617 to <u>\$15,383,239</u>)	(\$9,229,940 to <u>\$18,459,887</u>)	(\$9,229,940 to <u>\$18,459,887</u>)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(\$7,691,617 to \$15,383,239)</u>	<u>(\$9,229,940 to \$18,459,887)</u>	<u>(\$9,229,940 to \$18,459,887)</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

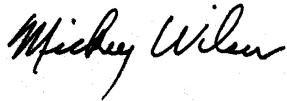
#Currently, a telephone company has their tangible personal property assessed in the same manner as a railroad. This bill allows a telephone company to annually elect to have their tangible personal property assessed in accordance with depreciation schedules.

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

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#SOURCES OF INFORMATION

Office of the State Auditor
State Tax Commission
County of Boone
County of St. Louis



Mickey Wilson, CPA
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March 16, 2015

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March 16, 2015