

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2431-01
Bill No.: HB 1097
Subject: Tax Credits; Saint Louis
Type: Original
Date: March 10, 2015

Bill Summary: This proposal creates a separate \$4 million cap for state supplemental TIF projects in St. Louis City associated with geospatial-intelligence facilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	\$0 up to (\$4,000,000)	\$0 up to (\$4,000,000)	\$0 up to (\$4,000,000)
Total Estimated Net Effect on General Revenue	\$0 up to (\$4,000,000)	\$0 up to (\$4,000,000)	\$0 up to (\$4,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

According to the **Department of Economic Development**, the purpose of Tax Increment Financing (TIF) is to facilitate the redevelopment of blighted areas by providing essential public infrastructure.

When local tax increment financing leaves a gap for a redevelopment project, a municipality can apply for a portion of the new state tax revenues created by the project to be disbursed to cover the financing gap for eligible redevelopment costs on the project.

To be eligible for State TIF, the underlying local TIF must dedicate at least 50% of the amount of the new local sales tax (and earnings tax in St. Louis and Kansas City) revenue and 100% of the amount of the new real property tax revenue created by the project each year for which state TIF is sought.

An applicant may be approved to receive up to 50% of the net new state sales tax revenue (general revenue portion only; excluding dedicated taxes) generated in the project area or up to 50% of the increase in state income tax revenue from net new jobs in the project area. An applicant cannot receive both.

State TIF may be awarded for a period of up to 15 years (a longer period may be requested, but not to exceed 23 years). The TIF project funds may be derived from a bond issue (retired with the local and state incremental revenues), or a reimbursement to the developer for eligible costs.

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal adds certain areas in St. Louis City that may be redeveloped for geospatial-intelligence facilities to the areas that may qualify for Tax Incremental Financing (TIF). These areas will not be included in the current \$32 million annual limit for TIF; instead, they will have a separate limit of \$4 million per year.

This proposal will not directly impact total state revenues, but will impact the General Revenue

ASSUMPTION (continued)

Fund to the extent additional appropriations to the Supplemental Tax Increment Financing Fund are required.

This proposal may encourage other economic activity. BAP cannot estimate the induced revenues.

Oversight assumes the many programs and changes to existing programs in this proposal would have a positive impact on the state. However, Oversight considers this to be indirect impact of the proposals and will not reflect them in the fiscal note.

Officials at the **State Tax Commission** assume no fiscal impact from this proposal.

Oversight notes this proposal states at no time shall the annual amount of the new state revenues for disbursements from the Missouri Supplemental Tax Increment Financing Fund for any such area exceed four million dollars. Therefore, Oversight will show the fiscal impact as \$0 (no appropriation made) up to \$4,000,000 annually.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Revenue Reduction -</u> geospatial-intelligence facilities TIF	\$0 up to <u>(\$4,000,000)</u>	\$0 up to <u>(\$4,000,000)</u>	\$0 up to <u>(\$4,000,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 up to <u>(\$4,000,000)</u>	\$0 up to <u>(\$4,000,000)</u>	\$0 up to <u>(\$4,000,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

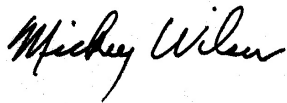
FISCAL DESCRIPTION

This bill adds an additional \$4 million to the tax increment financing cap to be used solely for the purpose of tax increment financing projects in St. Louis City associated with geospatial intelligence facilities which may potentially create or retain over two thousand jobs and the area is near a former public housing site.

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 Administration's Division of Budget and Planning
State Tax Commission
Department of Economic Development



Mickey Wilson, CPA
Director
March 10, 2015

Ross Strobe
Assistant Director
March 10, 2015