

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4082-04
Bill No.: HCS for HB 1236
Subject: Tax Incentives, Economic Development, Political Subdivisions, Taxation and Revenue - Property, Taxation and Revenue - Sales and Use, Taxation and Revenue - General
Type: Original
Date: April 5, 2018

Bill Summary: This proposal changes the laws regarding tax increment financing districts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning** assume this legislation will not have a direct impact on General or Total State Revenues.

Section 99.805

This section changes several of the definitions used related to tax increment financing. It removes the definitions for a conservation area and an economic development area from the section and removes references to those areas from other definitions.

Section 99.810

Removes areas defined as a conservation area and an economic development area from qualifying as a redevelopment area. It also requires findings which state that an area has not been subject to growth and would not reasonably be anticipated to be developed without the adoption of tax increment financing, to include a study conducted by a third party.

Section 99.825

This section requires the Commission to notify each board or body that oversees a special taxing district that is partially or wholly within the redevelopment area within ten days of approving a redevelopment plan and to establish a forum to receive public comment for a thirty-day period.

Section 99.843

Removes city and county specifications, which results in no new tax increment financing projects authorized in any greenfield area applicable to all areas, not just specific counties, cities, or municipalities.

Section 99.845

This section allows taxing districts and school districts the option to exclude 50% of property tax revenue from the tax increment allocation financing project or plan.

Officials at the **Department of Economic Development, Department of Revenue** and the **State Tax Commission** each assume there is no fiscal impact from this proposal.

Officials at the **City of Kansas City** assume this legislation will have a negative fiscal impact on the City, in an indeterminate amount, because the legislation allows taxing jurisdictions to opt out of participating in TIFs, and would restrict the definition of blight and eliminate conservation and economic development area TIFs. Collectively, those provisions will either result in losing

ASSUMPTION (continued)

projects that might otherwise have occurred or the City covering the reduced TIF revenues through some other redirection of public funds

In response to the previous version, officials at the **St. Louis County** assumed there would be some additional costs for hosting a digital or physical forum for a thirty-day period and for contacting each affected taxing district following an approval of a redevelopment. But because St. Louis County typically has no new TIF districts created in unincorporated County in any given year, costs would be minimal or non-existent in most years. The same is true for CIDs, which would have additional requirements as proposed in §67.1431 in this bill.

The fifteen-year limit on PILOT and EATs payments, as well as the uncertainty created by giving taxing districts the ability to withdraw their funds after project approvals, will probably stop any future TIFs from being enacted.

In response to the previous version, officials at **Boone County** assumed there is no fiscal impact from this proposal.

In response to the previous version, officials at the **Kirkville R-III, Summersville R-2** and the **West Plains School Districts** each assumed there was no fiscal impact from this proposal.

In response to the previous version, officials at the **Macon County R-IV School District** assumed there is no impact for the procedural changes and additional revenue, or lack of losing current revenue could be substantial on the district.

Oversight notes that this proposal states that prior to a TIF district being established a public hearing must occur. This proposal identifies the requirements for the hearing and the notice that must be given of the hearing. Oversight assumes that since this proposal does not prohibit a political subdivision from having a TIF, this proposal would not have a fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<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


The proposed legislation appears to have no direct fiscal impact.

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

Boone County
City of Kansas City
Department of Economic Development
Department of Elementary and Secondary Education
Department of Revenue
Kirksville R-III School District
Macon County R-IV School District
Office of Administration
Division of Budget and Planning
Summersville R-2 School District
State Tax Commission
St. Louis County
West Plains School District

Ross Strope



Acting Director

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