

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3583S.01I
Bill No.: SB 1242
Subject: Tax Incentives; Political Subdivisions
Type: Original
Date: February 13, 2024

Bill Summary: This proposal modifies provisions relating to tax increment financing.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Local Government*	\$0	\$0	\$0

*Fiscal impact to local political subdivisions will net zero (\$0)

FISCAL ANALYSIS

ASSUMPTION

Section 99.805 – Real Property Tax Increment Allocation Redevelopment - Definitions

Oversight notes this section modifies the definition of “Blighted Area”.

Oversight will not show a net fiscal impact as a result of the changes made to this section. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 99.810 – Real Property Tax Increment Allocation Redevelopment – Redevelopment Plan

Oversight notes, currently, each redevelopment plan set forth shall include, in addition to other criteria, the anticipated sources of funds to pay the costs of the redevelopment project costs.

Oversight will not show a net fiscal impact as a result of the changes made to this section. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 99.811 – Exemption of Redevelopment Plans from Funding Limits for Tax Increment Financing Associated with a Geospatial Intelligence Federal Employer in St. Louis

Oversight will not show a net fiscal impact as a result of the changes made to this section. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 99.812 – Payment of Payments Received in Lieu Of Taxes Received for a Tax Increment Financing District Project

For purposes of this fiscal note, **Oversight** will report a revenue reduction to Tax Increment Financing Districts (under local political subdivisions) equal to an unknown amount as a result of the payment equal to twenty five percent (25%) of the payments received as payments in lieu of taxes. Oversight will report a revenue gain (under local political subdivisions) equal to an unknown amount as a result of the payments received. Oversight assumes the (unknown) fiscal impact to local political subdivisions, as a result of this section, is anticipated to net zero (\$0).

Oversight assumes the provisions of this section would become effective August 28, 2024 (Fiscal Year 2025). Therefore, Oversight will reflect impact beginning in Fiscal Year 2025.

In response to the similar proposal, SB 147 -2021, officials from **Springfield** state this section imposes a mandatory pro-rata distribution of 25% of the payment in lieu of taxes to all tax jurisdictions other than Springfield. It also appears to require full distribution of payments in lieu

of taxes, related to residential areas, to school districts, even those generated by the levy of other taxing jurisdictions, including Springfield. This would result in a direct negative fiscal impact on Springfield.

Section 99.813 – Tax Increment Financing Project Reporting by Missouri Department of Economic Development

Oversight notes this section requires a municipality or developer to submit information to the Missouri Department of Economic Development regarding the approved redevelopment/project plan.

Officials from the **Missouri Department of Economic Development** do not anticipate this proposed legislation will cause a fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for this organization.

Oversight, for purpose of this fiscal note will not show a net fiscal impact as a result of the changes made to this section. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 99.814 – Reimbursement from Tax Increment Financing Special Allocation Fund

Oversight notes Section 99.814 authorizes reimbursement from the Special Allocation Fund to emergency services districts and certain counties.

Oversight assumes this section is specific to redevelopment districts that provide emergency services whereas section 99.814 authorizes reimbursement to any district or county imposing a property tax for the purposes of providing emergency services.

Therefore, for purposes of this fiscal note, **Oversight** will report a revenue reduction to the Special Allocation Fund (under local political subdivisions) equal to an unknown amount as a result of the additional reimbursement measures. Oversight will report a revenue gain to redevelopment districts (under local political subdivisions) equal to an unknown amount as a result of the receipt of reimbursement from the Special Allocation Fund. Oversight assumes the (unknown) fiscal impact to local political subdivisions, as a result of this section, will net zero (\$0).

Oversight assumes the provisions of this section would become effective August 28, 2024 (Fiscal Year 2025). Therefore, Oversight will reflect the impact beginning in Fiscal Year 2025.

Section 99.845 – State Revenues for Tax Increment Financing Projects, School Districts

Oversight notes this section adds “blighted areas in a distressed community” to the areas eligible to receive state revenues for a tax increment financing project.

Oversight will not show a net fiscal impact as a result of the changes made to this section. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Legislation as a Whole

Officials from the **City of Kansas City (Kansas City)** state this proposed legislation is not likely to cause a direct fiscal impact on Kansas City. However, it would place new restrictions on tax increment financing developments. If less developers choose to bring developments to Kansas City as a result, Kansas City could see a decrease in revenue generated by such developments that it would have otherwise enjoyed.

Oversight assumes the changes put forth may or may not impact future development projects; however, **Oversight** assumes this would be an indirect impact of the proposed legislation.

Officials from the **Office of Administration – Budget & Planning**, the **Department of Commerce and Insurance**, the **Department of Economic Development**, the **Department of Revenue**, the **Office of the State Treasurer** each assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for above respective organizations.

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 their office can sustain with their 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.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Reduction</u> – Section 99.812 – TIF Redevelopment Projects - Payment of 25% Of Payments Received As Payments In Lieu Of Taxes To Entitled Entities p.4	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Gain</u> – Section 99.812 – “Entitled Entities” – Receipt Of Payment From TIF Redevelopment Projects p.5	Unknown	Unknown	Unknown
<u>Revenue Reduction</u> - Section 99.814 – Special Allocation Fund – Reimbursement To Redevelopment Districts p.4	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Gain</u> – Section 99.814 – Redevelopment Districts Receipt Of Reimbursement From Special Allocation Fund p.4	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<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 act modifies the definition of "blighted area" for the purposes of tax increment financing (TIF). Such areas shall be in a distressed community and be insanitary or unsafe for living or working; shall have unemployment one and one-half times greater than the average for the state; or have a median household income of less than fifty percent of the median household income of the metropolitan statistical area in which the area is located. (Section 99.805)

A redevelopment plan shall include all federal, state, county, and municipal tax incentives received as sources of funds for the redevelopment plan. Such redevelopment plan shall also include a study stating that the project was not developed through private enterprise, and shall also include an economic feasibility analysis that indicates whether a return on investment is expected without public assistance. (Section 99.810)

This act exempts redevelopment projects from funding limits for TIF projects associated with a geospatial intelligence federal employer in St. Louis City if such projects consist solely of public infrastructure improvements on public land that requires less than \$2 million in TIF financing and will pay off its bonds in seven years or less. (Section 99.811)

This act requires a municipality to pay an amount equal to 25% of payments in lieu of taxes received for a TIF project to all other taxing entities in the municipality that are entitled to receive property tax revenue. Such amount shall be distributed pro rata to such entities. If a TIF project includes residential uses, real property tax levies attributable to the residential portion shall be distributed to the local school district or districts. (Section 99.812)

This act requires the Department of Economic Development to annually submit a report to the Governor and the General Assembly that provides certain information regarding TIF projects in the state, as described in the act. (Section 99.813)

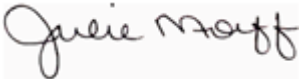
Redevelopment districts providing emergency services in certain municipalities and counties, as described in the act, shall be entitled to reimbursement from a TIF special allocation fund in an amount between 25%-100% of such revenue. (Section 99.814)

This act adds blighted areas located in distressed communities to the areas eligible to receive state revenues for a TIF project. Additionally, this act prohibits redevelopment projects unless all school districts in the redevelopment area have low fiscal capacity, as defined in the act; all census blocks or groups have high unemployment, as defined in the act; or all municipalities or census blocks or groups are characterized by moderate income, as defined in the act. (Section 99.845)

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 – Budget & Planning Division
Missouri Department of Economic Development
Missouri Department of Revenue
Missouri State Tax Commission
Missouri Secretary of State’s Office
Joint Committee on Administrative Rules
City of Kansas City



Julie Morff
Director
February 13, 2024



Ross Strobe
Assistant Director
February 13, 2024