

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2801-01
Bill No.: SB 836
Subject: Taxation and Revenue - Property; Railroads; Tax Credits.
Type: Original
Date: January 5, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	\$0	\$0 to (\$2,743,600)	\$0 to (\$2,743,600)
Total Estimated Net Effect on General Revenue Fund	\$0	\$0 to (\$2,743,600)	\$0 to (\$2,743,600)

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Blind Pension	\$0	\$0 to (\$16,560)	\$0 to (\$16,560)
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0 to (\$16,560)	\$0 to (\$16,560)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposal should not result in additional costs or savings to their agency. However, this proposal will have a negative impact on Total State Revenue and General Revenue. This proposal creates a tax credit for freight line companies to reduce the ad valorem property tax due in amount equal to eligible expenses incurred during the year. The proposal also requires the state to reimburse any political subdivision for any decrease in revenue due to the provisions in this proposal.

Officials from the **Department of Transportation (DOT)** assume that the Department of Revenue will be responsible for reimbursing local political subdivisions out of the General Revenue Fund. Therefore, DOT assumes no fiscal impact from the proposal.

Officials from the **Department of Revenue** state that since the credit is against ad valorem property taxes, which is paid to the counties, there is no impact to their agency.

Officials from the **State Tax Commission (TAX)** state this proposed legislation creates a tax credit for a freight line company's ad valorem property tax.

ASSUMPTION (continued)

TAX assumes that only those freight line companies that are defined by Section 137.1003. (4) RSMo will be eligible for the tax credit. With this assumption, there would be approximately 350 freight line companies that could qualify for this credit. In calendar year 2002, the amount of freight line ad valorem property tax was \$2.6 million and in calendar year 2003, the amount of freight line ad valorem property tax was \$2.5 million.

The amount of taxes levied each year currently appears to remain fairly stable. Therefore, TAX assumes that in calendar 2004 and the subsequent following years the amount of taxes would be approximately \$2.6 million. If TAX assumes that each of these companies will have significant eligible expense to off-set the total amount of tax due, the State of Missouri would be required to annually reimburse the political subdivisions approximately \$2.6 million. TAX assumes this legislation would be effective on August 28, 2004 and the credit would be effective with calendar year 2005 property taxes collected in FY 2006.

Oversight assumes this tax credit could be administered by TAX and DOR with existing resources. According to the DOR's Comprehensive Annual Financial Report (CAFR) for FY 2002, \$2,716,106 in County Private Car Tax collections were distributed to the counties and the City of St. Louis. On top of this, DOR is allowed to retain one percent of the tax receipts to cover their collection costs. Also, prior to the distribution to the counties and St. Louis City, six-tenths of one percent of the fund is transferred to the blind pension fund. Therefore, for purposes of this fiscal note, Oversight will assume the new tax credit could reduce tax collections up to \$2.76 million (\$2,716,106 distributed, plus collection fee and Blind Pension transfer each taken out before distribution). At the local government level, per Section 137.1021, RSMo, 70 percent of the transfer from DOR goes to the local school districts and 30 percent goes to the county general revenue fund.

This \$2.76 million would be distributed as follows:

1 percent of collections to General Revenue for DOR collection fee	\$ 27,600
.6 percent before distribution to the Blind Pension fund	\$ 16,560
70 percent of distribution to local school districts (.70 x 2,716,000)	\$ 1,901,200
30 percent to local county general revenue funds (.30 x 2,716,000)	\$ 814,800
TOTAL	<u>\$ 2,760,160</u>

Oversight assumes this tax credit would result in a reduction of tax revenue beginning in FY 2005. Oversight assumes the annual reimbursement to the local political subdivisions for any decrease in revenue due to this program will be from the General Revenue fund and will occur in

ASSUMPTION (continued)

the same year as the reduction. Oversight has ranged the reduction in income from \$0 (if no tax credits are claimed) to the full amount described above, since, the tax credit can not exceed a company's liability for a given year. Oversight assumes the County Private Car Tax will be stable in the years represented in this fiscal note. Oversight has not reflected any indirect potential benefit resulting from this tax credit in the fiscal note.

This proposal could reduce Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Loss</u> - in collection fees for County Private Car Tax reduced by new tax credit	\$0	\$0 to (\$27,600)	\$0 to (\$27,600)
<u>Loss</u> - Reimbursement to local political subdivisions for credit for County Private Car Tax - School Districts	\$0	\$0 to (\$1,901,200)	\$0 to (\$1,901,200)
<u>Loss</u> - Reimbursement to local political subdivisions for credit for County Private Car Tax - County General Revenue	\$0	\$0 to (\$814,800)	\$0 to (\$814,800)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0 TO (\$2,743,600)</u>	<u>\$0 TO (\$2,743,600)</u>
BLIND PENSION FUND			
<u>Loss</u> - six-tenths of County Private Car Tax before distribution to local political subdivisions potentially reduced by tax credit	\$0	\$0 to (\$16,560)	\$0 to (\$16,560)
ESTIMATED NET EFFECT TO THE BLIND PENSION FUND	<u>\$0</u>	<u>\$0 TO (\$16,560)</u>	<u>\$0 TO (\$16,560)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
LOCAL SCHOOL DISTRICTS			
<u>Revenue</u> - annual reimbursement from state for tax credit program	\$0	\$0 to \$1,901,200	\$0 to \$1,901,200
<u>Loss</u> - credit for County Private Car Tax	\$0	\$0 to (\$1,901,200)	\$0 to (\$1,901,200)
COUNTIES - GENERAL REVENUE FUNDS			
<u>Revenue</u> - annual reimbursement from state for tax credit program	\$0	\$0 to \$814,800	\$0 to \$814,800
<u>Loss</u> - credit for County Private Car Tax	<u>\$0</u>	<u>\$0 to</u> <u>(\$814,800)</u>	<u>\$0 to</u> <u>(\$814,800)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that are considered a “freight line company” could receive a tax credit from this proposal.

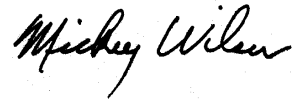
DESCRIPTION

This proposal creates a tax credit against the private car ad valorem tax. The proposal enables a freight line company to have a credit equal to the amount of eligible expenses incurred during the immediately preceding calendar year against this tax. The term "eligible expenses" is defined as those incurred in the state to maintain to improve a freight line company's qualified rolling stock. The proposal requires the state to reimburse any political subdivision which experience a loss of revenue due to the provisions of the proposal.

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 Transportation
Department of Revenue
Office of Administration - Budget and Planning
State Tax Commission

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
January 5, 2004