

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0792-03
Bill No.: Truly Agreed To and Finally Passed CCS for HCS for SB 182
Subject: Tax Incentives
Type: Original
Date: June 3, 2019

Bill Summary: This proposal modifies provisions relating to the issuance of certain incentives to businesses relocating from certain counties in Kansas.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§135.1670 Prohibition on Border Incentives

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assumed this proposal extends the prohibition against the Department of Economic Development (DED) from issuing tax credits for the BUILD Program, New and Expanding Business Facility Program, the Urban Enterprise Loan Program, and the MO Works Program to businesses relocating from a Kansas border county to a Missouri border county, if the State of Kansas enacts similar prohibitions. If Kansas does not enact similar prohibitions, then DED will continue to issue tax credits to qualifying businesses in bordering counties. To the extent Missouri does or does not issue tax credits for these programs, General and Total State Revenues could be impacted.

Officials at the **Department of Economic Development (DED)** and its Divisions anticipate no fiscal impact as a result of the proposal.

In response to a previous inquiry, **DED** stated to their knowledge Kansas has not adopted such a policy.

Officials at the **Department of Revenue** assume there is no fiscal impact from this proposal.

Officials at the **City of Kansas City** assume it is not possible to determine what, if any, fiscal impact this would have on the City. Under this legislation if a job relocates from Douglas County, Kansas, to KC it could now receive MO tax incentives. On the other hand, if a job relocates from KC to Douglas County, Kansas, it could receive Kansas tax incentives. We don't know what the likelihood of either situation is and don't know what fiscal impact it would have.

Oversight notes this proposal extends the prohibition on issuing tax credits to businesses that cross the Kansas/Missouri border, if the state of Kansas has enacted similar legislation. Oversight will show no fiscal impact to this proposal based on the B&P and DED responses.

Oversight contacted the Kansas Department of Commerce that confirmed they have not enacted any legislation to prohibit the provision of economic incentives to move jobs from Missouri to Kansas border counties and they are definitely providing economic incentives for jobs that may move across the border including through the PEAK Program (Promoting Employment Across Kansas).

Oversight reconfirmed on May 9, 2019, that Kansas has not enacted any legislation to prohibit the economic incentives going to companies crossing the border.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<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

City of Kansas City
Department of Economic Development
Department of Revenue
Office of Administration Division of Budget and Planning



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June 3, 2019

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June 3, 2019