

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO. 0215-01  
BILL NO. SB 80  
SUBJECT: Taxation and Revenue; Utilities  
TYPE: Original  
DATE: May 24, 2001

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
All State Funds*	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
<b>Total Estimated Net Effect on <u>All</u> State Funds*</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>

\*Expected to be minimal since the replacement taxes are designed to be revenue neutral

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Local Government*</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>

\*Expected to be minimal since the replacement taxes are designed to be revenue neutral

Numbers within parentheses: ( ) indicate costs or losses

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **State Auditor**, the **State Courts Administrator**, the **Department of Natural Resources (DNR)**, the **Department of Economic Development - Public Service Commission (PSC)**, **Department of Economic Development - Office of Public Counsel (OPC)**, the **Department of Economic Development - Division of Motor Carrier and Railroad Safety**, the **Department of Transportation**, the **State Tax Commission (TAX)**, the **Department of Public Safety - Highway Patrol**, the **Department of Revenue (DOR)**, the **Department of Social Services (DOS)**, the **Office of the State Auditor (SAU)**, the **Office of the Secretary of State (SOS)** and the **Department of Elementary and Secondary Education (DES)** assumed that either this proposal would not fiscally impact their agencies or that they could carry out their duties under this proposal with existing resources.

**Oversight** assumes there could be a fiscal impact as a result of this proposal. It is assumed the intent is to insure that revenues are not lost as a result of out of state suppliers of energy, and that revenues collected will closely parallel tax revenue that is currently collected. However, it is likely it will not be an exact match and some fiscal impact could result.

Based on information received for a similar proposal from the 2000 session from various officials including the DOR and the State Tax Commission, **Oversight** estimated the amount of replacement tax necessary to replace the current taxes that are collected. The estimate for the state sales tax would be \$74 million and the estimate for the local sales tax would be \$40 million; the estimate for the property tax would be \$100 million; and the estimate for gross receipts tax on electricity and natural gas would be approximately \$240 million, for a total replacement tax of \$454 million.

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
<b>ALL STATE FUNDS</b>			
<u>Income</u> - Replacement Taxes	Unknown	Unknown	Unknown
<u>Cost</u> - Current Taxes	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON ALL STATE FUNDS*</b>	<b><u>Unknown to (Unknown)</u></b>	<b><u>Unknown to (Unknown)</u></b>	<b><u>Unknown to (Unknown)</u></b>

\*Replacement taxes are designed to retain income from sales and property taxes; therefore, the net effects should not be significant.

FISCAL IMPACT - Local Government                      FY 2002                      FY 2003                      FY 2004

**POLITICAL SUBDIVISIONS**

<u>Income</u> - Replacement Taxes	Unknown	Unknown	Unknown
<u>Cost</u> - Current Taxes	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS*</b>	<b><u>Unknown to (Unknown)</u></b>	<b><u>Unknown to (Unknown)</u></b>	<b><u>Unknown to (Unknown)</u></b>

\*Replacement taxes are designed to retain income from existing local sales, franchise and property taxes; therefore, the net effects should not be significant.

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact on small businesses to the extent that the taxes may not be exactly the same as existing taxes.

DESCRIPTION

The proposal would allow enactment of backup provisions pertaining to gross receipts taxes and franchise fees and sales taxes on electricity and natural gas service and backup provisions revising taxes on utility distributable property. Entities could not sell energy services to Missouri retail users until certified by the Missouri Public Service Commission (PSC). The PSC would certify sellers who have appointed registered agents in Missouri for service of process, have filed agreements to collect and remit all applicable state and local sales and use taxes, have posted bonds to secure agreement to collect applicable Missouri, and satisfied other requirements imposed by law or regulation in order to provide energy services. The State Tax Commission would continue to assess and distribute the value of distributable property of electric companies in the tax year in which the proposal becomes effective and would continue to do so in subsequent years until the Commission determines that the property is functionally separated from the regulated portion of a utilities' property. Then the Commission would assess and distribute the value of the property as independent property. Assessments beginning after the effective date of this proposal would be revised annually based upon market value. The State Tax Commission would allocate such market value to each county based on the ratio which the line miles located in that county bear to the total line miles in that state.

Local governments which business license taxes, franchise taxes or have franchise fees or Payments In Lieu of Taxes would ask their voters to approve replacement equalization taxes as soon as practicable after the effective date of the proposal but no later than April 15, 2003.

The provisions of the proposal concerning Tax Commission assessment of distributable property have a normal effective date. Other provisions would become effective January 1, 2002.

DESCRIPTION (continued)

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This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. The proposal could affect Total State Revenues.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Department of Revenue  
Department of Natural Resources  
Office of the State Auditor  
Department of Economic Development  
Public Service Commission  
Office of Public Counsel  
Division of Motor Carrier and Railroad Safety  
State Tax Commission  
Department of Social Services  
Office of the Secretary of State  
State Auditor  
State Courts Administrator  
Department of Transportation  
Department of Public Safety - Highway Patrol

NOT RESPONDING: City of St. Louis, Kansas City Manager, City of Springfield



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Director  
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