

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5898-01
Bill No.: Perfected HB 2225
Subject: Economic Development; Tax Credits; Saint Louis County
Type: Original
Date: February 24, 2016

Bill Summary: This proposal changes the laws regarding redevelopment of abandoned property to authorize tax credits for the redevelopment of certain former automobile manufacturing plants in St. Louis County.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0 to (Could Exceed \$6,000,000)	\$0 to (Could Exceed \$6,000,000)	\$0 to (Could Exceed \$6,000,000)
Total Estimated Net Effect on General Revenue	\$0 to (Could Exceed \$6,000,000)	\$0 to (Could Exceed \$6,000,000)	\$0 to (Could Exceed \$6,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Economic Development (DED)** assume this legislation amends §447.708, commonly known as the Brownfield Tax Credit Program, by adding that in any county of the first classification that has a charter form of government and that has a population of over nine hundred thousand inhabitants, all demolition costs incurred during the redevelopment of any former automobile manufacturing plant shall be allowable costs eligible for tax credits under §447.700 to §447.718. For purposes of this subsection, "former automobile manufacturing plant" means a redevelopment area that qualifies as an eligible project under §447.700, that consists of at least one hundred acres, and that was used primarily for the manufacture of automobiles but, after 2007, ceased such manufacturing.

Essentially, this proposal is adding a new use for the Brownfield Tax Credit. This program has no statutory annual cap.

DED estimates the demolition of the concrete at the Fenton Chrysler plant to be \$6,000,000 plus any other projects that may qualify in the future.

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal would expand the tax credit programs authorized in §447.700 to §447.718, RSMo, to cover all demolition costs incurred during the redevelopment of any former automobile manufacturing plant in a specified county.

There is no cap on the tax credits and BAP does not have enough available data to determine the costs associated with the demolition; therefore, this proposal could lower general and total state revenues by an unknown amount. The Department of Economic Development may have an estimate for the total costs that may be incurred for site demolition.

This proposal may encourage other economic activity. BAP cannot estimate the induced revenues.

Officials at the **Department of Revenue (DOR)** assume §447.708 adds subsection 12, authorizing a tax credit for all demolition costs during the redevelopment of a former automobile manufacturing plant in St. Louis County.

Personal Tax requires one (1) Revenue Processing Technician I for every 6,000 tax credits claimed. Corporate Tax requires one (1) Revenue Processing Technician I for every 6,000 tax credits claimed.

ASSUMPTION (continued)

Oversight assumes the duties outlined in this proposal can be handled with current staff. Should DOR see an increase in tax credit redemptions to justify additional FTE, they can seek those FTE through the appropriation process.

Officials at the **Department of Natural Resources** and **St. Louis County** each assume no fiscal impact from this proposal to their respective organizations.

Oversight assumes this proposal allows all demolition costs incurred during the redevelopment of any former automobile manufacturing plant to be eligible for tax credits. After the fiscal note on the introduced bill was issued, DED provided additional information and estimated demolition costs could exceed \$6,000,00, therefore, Oversight will show the fiscal impact as \$0 (no company applies for demolition costs) to Could Exceed \$6,000,000.

The Brownfield Remediation Tax Credit provides an incentive to businesses/developers to redevelop property contaminated with hazardous wastes. The requirements for this tax credit are properties that are abandoned or underutilized for at least three years. Projects must create 10 new jobs or retain 25 jobs. Projects can receive a tax credit of up to 100% of eligible remediation costs. This program requires the project to enroll in the Department of Natural Resources (DNR) Voluntary Cleanup Program. Projects receive 75% of the credit upon payment of remediation costs and the remaining 25% upon issuance of DNR's 'clean letter'.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Revenue Reduction</u> - amending §447.708 to allow demolition to be a qualifying expense under the Brownfield Tax Credit	\$0 to (Could Exceed <u>\$6,000,000</u>)	\$0 to (Could Exceed <u>\$6,000,000</u>)	\$0 to (Could Exceed <u>\$6,000,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 to (Could Exceed <u>\$6,000,000</u>)	\$0 to (Could Exceed <u>\$6,000,000</u>)	\$0 to (Could Exceed <u>\$6,000,000</u>)
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<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 proposal changes the laws regarding redevelopment of abandoned property to authorize tax credits for the redevelopment of certain former automobile manufacturing plants in St. Louis County.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

L.R. No. 5898-01
Bill No. Perfected HB 2225
Page 6 of 6
February 24, 2016

SOURCES OF INFORMATION

Department of Revenue
Department of Natural Resources
Office of Administration's Division of Budget and Planning
Department of Economic Development
St. Louis County



Mickey Wilson, CPA
Director
February 24, 2016

Ross Strobe
Assistant Director
February 24, 2016