

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3622-01
Bill No.: SB 856
Subject: Taxation and Revenue - General; Economic Development.
Type: Original
Date: January 25, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$352,000)	(\$352,000)	(\$352,000)
Total Estimated Net Effect on <u>All</u> State Funds	(\$352,000)	(\$352,000)	(\$352,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** states this bill authorizes a new enterprise zone in Wright County. DED does not feel the bill has enough immediate impact on DED to warrant additional personnel or expenditures. At some point in the future, enough additional enterprise zone credits could be issued that would require an additional FTE. At that time, DED would request additional funding.

The DED states the average cost for each enterprise zone is \$352,000 per year as opposed to \$60,000 per satellite zone. This is a full enterprise zone.

Officials from the **Department of Revenue (DOR)** stated they do not anticipate a significant increase in the number of new credits filed. Therefore, DOR did not request additional FTE at this time. However, if DOR is incorrect in this assumption, they will need one Temporary Tax Season Employee for every 75,000 additional credits, one Tax Processing Tech I for every 30,000 additional errors generated and one Tax Processing Tech I for every 3,000 additional pieces of correspondence received regarding this credit. Any FTE needed will be requested during the normal budget process.

Officials from **Wright County** state this proposal would have no fiscal impact on their county. However, in response to a similar proposal from last year, Wright County officials stated that if they receive an Enterprise Zone designation, tax incentives are provided to businesses based on the number of new jobs and amount of new investment created at the qualifying facility. There is a possible income exemption, partial tax credit refund, and property tax abatement on improvements to real property provided certain requirements are met. These incentives will only apply to new or expanding businesses. The property taxes currently paid by existing businesses and industry will not be affected. Thus property tax revenue will not be negatively impacted but will increase after the enterprise zone expires.

Oversight assumes the local taxing and governing authorities may grant an exemption (in whole or in part) of property taxes to new or expanding businesses after holding the required public hearings on the matter, therefore, has estimated the local impact as zero. The fiscal note does not reflect any indirect positive result that may occur because of the tax credits issued.

This proposal may result in a loss of Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE			
<u>Cost - Enterprise Zone in Wright Co.</u>	<u>(\$352,000)</u>	<u>(\$352,000)</u>	<u>(\$352,000)</u>
ESTIMATED NET EFFECT TO GENERAL REVENUE	<u>(\$352,000)</u>	<u>(\$352,000)</u>	<u>(\$352,000)</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2003 (10 Mo.)	 FY 2004	 FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could fiscally impact new or expanding businesses within the new enterprise zone.

DESCRIPTION

The Department of Economic Development is authorized to designate one enterprise zone in Wright County. The designated area must meet certain requirements to qualify as an enterprise zone (Section 135.205).

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 Economic Development
Department of Revenue
Wright County



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