

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0690-02  
Bill No.: SB 272  
Subject: Taxation and Revenue; Tax Credits; Economic Development; Kansas City; Urban  
 Redevelopment  
Type: Original  
Date: January 29, 2003

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
None			
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
 This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
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>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Department of Revenue (DOR)** state they do not anticipate a significant increase in the number of new credits filed. Therefore, DOR will not request additional FTE at this time.

However, if DOR is incorrect in this assumption, they will need one Tax Processing Tech I for every 10,000 additional credits claimed by this legislation. DOR will monitor the credit and if FTE are needed, the request will be made through the normal budgetary system.

DOR defers to the Department of Economic Development or the Office of Administration - Budget and Planning for a revenue impact estimate.

Officials from the **Department of Economic Development (DED)** state the current funding for Neighborhood Preservation Tax credits is fixed, and this proposal would not increase the amount of tax credits. Therefore, DED assumes the proposal would not have a fiscal impact on their department.

ASSUMPTION (continued)

Officials from **Christian County, Greene County, the City of Kansas City and the City of St. Louis** did not respond to our request for fiscal impact.

**Oversight** assumes the changes made to the Neighborhood Preservation tax credit program will not change the annual cap of \$16 million, or \$8 million each for the qualifying areas and the eligible areas. According to DED, in calendar years 2001 and 2002, the entire pot of \$8 million in credits for “qualifying” areas were authorized, but of the \$8 million for “eligible areas”, only \$4 million and \$7 million respectively were authorized. The fiscal note prepared for the enabling legislation for this program reflected a loss of state funds of \$0 to (\$16 million) annually starting in FY 2001. Therefore, while this proposal may result in an increased utilization of the Neighborhood Preservation tax credit program, Oversight assumes the cap on the program has not changed from the \$16 million reflected in the fiscal note for SB 20 in 1999, and therefore, assume no additional fiscal impact from the changes in this program.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that qualify for the tax credit may be fiscally impacted by this legislation.

DESCRIPTION

This proposal makes various modifications relating to tax credits for distressed communities. With regard to the Rebuilding Communities and Neighborhood Preservation Act, the proposal:

DESCRIPTION (continued)

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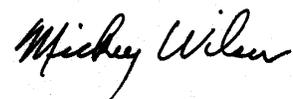
- (1) Expands the definition of "eligible residence" to include condominiums, entire apartment buildings, or single apartments within an apartment building;
- (2) Expands the definition of "new residence" to include separate adjacent single-family units regardless of whether or not these units are located in a distressed community, and includes Christian and Greene counties as a possible location for new residences meeting the definition of such term under current law;
- (3) Expands the definition of "project" to include the new construction, rehabilitation, or substantial rehabilitation of multiple residences, whether comprised of one structure containing multiple single-family residences or multiple individual structures, in addition to single residences;
- (4) Expands the definition of "qualifying residence" to include Kansas City;
- (5) Increases the value of the eligible residence tax credit from 15% of eligible costs to 20% of eligible costs, and increases the credit from \$25,000 over 10 years to \$40,000 over 10 years; and
- (6) Increases the value of the qualifying residence tax credit from 15% of eligible costs to 20% of eligible costs up to \$40,000 over 10 years.

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 Revenue  
Department of Economic Development

**NOT RESPONDING: Christian County; Greene County; Kansas City; St. Louis**



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