

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5212S.01I
 Bill No.: SB 1063
 Subject: Taxation and Revenue - Income; Tax Credits
 Type: Original
 Date: March 4, 2022

Bill Summary: This proposal extends the sunset on the Rolling Stock Tax Credit.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue Fund	\$0 up to or could exceed (\$291,000)	\$0 up to or could exceed (\$291,000)	\$0 up to or could exceed (\$291,000)
Total Estimated Net Effect on General Revenue	\$0 up to or could exceed (\$291,000)	\$0 up to or could exceed (\$291,000)	\$0 up to or could exceed (\$291,000)

*Oversight notes the range stems from the reauthorization of a recently expired tax credit program (expired August 28, 2020) at \$0 (the credit is subject to appropriation – and if no future appropriations are made) to the expired tax credit program’s highest expenditure total (2016 & 2017) of \$291,000.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>Other State Funds</u>	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Department of Revenue (DOR)** state the Rolling Stock Tax Credit sunset on August 28, 2020. This proposed legislation extends the sunset date of the Rolling Stock Tax Credit to August 28, 2028.

DOR indicates that the General Assembly appropriated the following amounts for the Rolling Stock Tax Credit:

Fiscal Year	Appropriation
2010	\$4,000,000 - Governor Line Item Vetoed
2015	\$2,000,000 - Governor Line Item Vetoed
2016	\$300,000
2017	\$600,000 - Governor Restricted \$300,000
2018	\$0
2019	\$0
2020	\$200,000

DOR states the extension of the sunset of this program is not expected to have a fiscal impact on DOR. Since this tax credit is appropriated, it would not have a fiscal impact unless the General Assembly votes to appropriate money to it.

Lastly, DOR states the Department has forms and computer programs set up to handle this credit and do not believe this would have any additional administrative impact. However, the restarting of this credit could result in a loss to general revenue and total state revenue based on the amount appropriated.

Officials from the **Office of Administration – Budget & Planning (B&P)** assume the proposal renews the expired Rolling Stock tax credit beginning August 28, 2022. B&P notes that while this proposal would begin in FY23, it will not impact state revenues unless and until an amount for the credit is appropriated by the General Assembly.

The B&P estimates that this proposal could reduce GR and TSR by \$0 (low appropriation amount) to \$4,000,000 (high appropriation amount) annually beginning in FY23.

Officials from the **Missouri State Tax Commission (STC)** assume the proposal would have resulted in an unknown fiscal impact on state revenues as the proposed legislation extends a tax credit subject to the appropriation process. The Rolling Stock Tax Credit provides that, subject to appropriation, a freight line company could receive a property tax credit for expenses incurred to

manufacture, maintain, or improve their qualified rolling stock in the State of Missouri, up to the amount of their property tax liability.

This tax credit is not refundable and is subject to an annual appropriation. Since authorized in 2009, the tax credit has been funded three (3) times: 2016 (\$291,000), 2017 (\$291,000) and 2020 (\$194,000). STC notes, though, that the General Assembly has appropriated greater budget appropriations that were later reserved or restricted. STC notes, in 2016, the total eligible expenses of the nearly one hundred (100) private car companies totaled \$23,372,795.

However, officials from the STC assume the proposal would not have a direct fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact in the fiscal note for the STC.

Oversight notes the Rolling Stock Tax Credit provides an economic incentive to have private rail cars manufactured, maintained, and improved in the State of Missouri.

Additionally, the tax credit is subject to appropriation, a freight line company could receive a **property tax credit** for expenses incurred to manufacture, maintain, or improve their qualified rolling stock in the State of Missouri, up to the amount of the freight line company's property tax liability. The State of Missouri will then reimburse counties for any loss in property tax revenue resulting from utilization of the tax credit.

Oversight notes private care companies' assessed values are certified by the Missouri State Tax Commission and then reported to the Missouri Department of Revenue for billing and central collection. The property taxes collected by the Missouri Department of Revenue (less one percent (1%) for the cost of collection, which is deposited into the General Revenue Fund) are deposited into the County Private Car Tax Trust Fund. The funds within the County Private Car Fund are distributed to the counties of Missouri after six tenths of one percent (0.6%) is transferred to the Blind Pension Fund. The distribution is based on each county's percentage of main track line to the aggregate total of the state.

Oversight's policy is to show the extension of the tax credit program in the fiscal note. Oversight notes the Rolling Stock Tax Credit expired on August 28, 2020. Oversight notes this proposed legislation extends the expiration date to August 28, 2028.

Oversight assumes this proposed legislation would go into effect August 28, 2022. Oversight notes that taxpayers who are awarded the Rolling Stock Tax Credit in Tax Year 2022 will not file their tax returns claiming the tax credit until after January 1, 2023 (Fiscal Year 2023).

Therefore, **Oversight** will report the impact as a result of extending the expiration date of this tax credit program beginning in Fiscal Year 2023. Oversight notes, per the three (3) most recent Tax Credit Analyses received from the Missouri Department of Revenue, the Rolling Stock Tax Credit recognized the following activity:

Rolling Stock Tax Credit							
Fiscal Year	2016	2017	2018	2019	2020	2021 (Year To Date)	2022 (Budget Year)
Amount Authorized	\$291,000	\$291,000	\$0	\$0	\$0	\$0	\$0
Amount Issued	\$291,000	\$291,000	\$0	\$0	\$0	\$0	\$0
Amount Redeemed	\$291,000	\$291,000	\$0	\$0	\$0	\$0	\$0

Oversight notes the five (5) year average (2016 – 2020) amount of Rolling Stock Tax Credit(s) *issued* equals \$116,400.

Oversight notes the Rolling Stock Tax Credit recognized the following appropriation history:

Fiscal Year(s)	General Assembly Appropriated	Amount Vetoed/Reserved/Restricted	Tax Credit(s) Available	Tax Credit(s) Issued
2010	\$3,000,000	(\$3,000,000)	\$0	\$0
2011-2014	\$0	\$0	\$0	\$0
2015	\$2,000,000	(\$2,000,000)	\$0	\$0
2016	\$300,000	(\$9,000)	\$291,000	\$291,000
2017	\$600,000	(\$309,000)	\$291,000	\$291,000
2018	\$0	\$0	\$0	\$0
2019	\$1	\$0	\$1	\$0
2020	\$200,000	(\$6,000)	\$194,000	\$0

Oversight’s policy is to show the extension of the tax credit program in the fiscal note.

For additional information regarding the Rolling Stock tax credit program, please refer to the Oversight Division’s sunset review performed in 2019.

https://www.legislativeoversight.mo.gov/oversight/Sunset_Reviews/Rolling.pdf

For purposes of this fiscal note, **Oversight** will report a revenue reduction to General Revenue (GR) equal to a range, beginning at \$0 (no appropriation is made for the Rolling Stock Program) “up to or could exceed” \$291,000 (highest final approved budget authority to date, future appropriations could be larger) beginning in Fiscal Year 2023.

Officials from the **City of Kansas City** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this city.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
GENERAL REVENUE FUND			
<u>Revenue Reduction – Extension of Rolling Stock Tax Credit Program (p.5)</u>	\$0 up to or could exceed (\$291,000)	\$0 up to or could exceed (\$291,000)	\$0 up to or could exceed (\$291,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 up to or could exceed (\$291,000)</u>	<u>\$0 up to or could exceed (\$291,000)</u>	<u>\$0 up to or could exceed (\$291,000)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

This proposed legislation could impact any small business operating as a freight line company as such small business could receive a tax credit that would have otherwise not been available, reducing or eliminating such small business's tax liability.

FISCAL DESCRIPTION

This act reauthorizes a tax credit for eligible expenses incurred in the manufacture, maintenance, or improvement of a freight line company's qualified rolling stock, which expired on August 28, 2020. Such credit shall be reauthorized until August 28, 2028.

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. 5212S.011

Bill No. SB 1063

Page 7 of 7

March 4, 2022

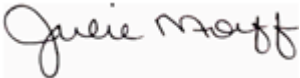
SOURCES OF INFORMATION

Office of Administration – Budget & Planning Division

Missouri Department of Revenue

Missouri State Tax Commission

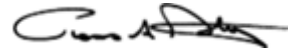
City of Kansas City



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March 4, 2022



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