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Missouri Legislation Limits Municipal Approval Of Tax Increment Financings And Increases Financial Oversight Of Designated Districts.

Three new measures signed into law by Missouri Governor Jay Nixon on June 29 will have lasting implications for the creation and administration of tax increment financings (TIFs), community improvement districts (CIDs) and transportation development districts (TDDs) alike.

House Bill 1434, the legislation addressing TIFs, is largely aimed at the suburban counties in the St. Louis region—St. Louis County, St. Charles County and Jefferson County. Specifically, the bill limits the power of municipalities in those three counties to approve a TIF if the county-wide TIF board rejects it. For the rest of the state, the bill implements a few clean-up provisions—namely, it exempts sheltered workshop tax districts from both state and municipal TIF projects, specifies a deadline of November 15 for each municipality's required annual report of TIFs and requires the Missouri Office of Administration to post information from the reports on the Missouri Accountability Portal. If a municipality does not comply with the reporting requirements, it can be prohibited from adopting any new TIF plan for five years. Gov. Nixon stated that the new legislation "contains the most significant TIF reforms Missouri has passed in more than a decade."

Senate Bill 1002 adds new language to the Missouri statute governing CIDs, thereby granting the state auditor authority to assess the tax and financial records of a district the same way they would audit a public agency. The addition is driven in large part by the government's desire to monitor districts which contain no voting citizens, which up until now have largely been able to avoid state-level scrutiny of their operations. Now, all of Missouri's nearly 360 CIDs are on notice that they may be subject to auditing merely because they collect taxes in the capacity of a public entity.

The new CID policy emphasizes the importance of running districts in strict compliance with the law. The state auditor's core functions are designated by the Missouri Constitution, and the process involves a comprehensive review of an organization's governing details and finances. Open for review is a wide range of information, including "meeting minutes, written policies and procedures, and financial records." An audited area has 30 days to respond to the auditor's findings. Once complete, the report will be presented to the governor and the legislature, and made available to the public online.

The new legislation for TDDs—House Bill 1418—gives teeth to existing penalties concerning financial reporting requirements. A lack of detailed language in the previous statute allowed TDDs to avoid paying fines for not filing annual financial statements with the state. Under the new rules, TDDs which fail to timely file with the state auditor will receive a late notice from the Department of Revenue—and will have 30 days upon receipt of such notice to file their report. After the grace period is up, a fine of US$500 will accrue for each day the report remains delinquent. Exempt from fines are only those TDDs that bring in less than US$5,000 of gross revenue for the fiscal year.

The TDD bill also adds a requirement for districts organized prior to August 28, 2016, to "notify the state auditor's office in writing of the date it was organized and provide contact information for the

current board of directors by December 31, 2016." A TDD formed after August 28 must notify the state auditor's office of the same within 30 days of its first board of directors meeting. The bill further adds language clarifying that TDDs would be responsible for paying the cost of an audit, not to exceed three percent of the district's gross revenues, regardless of how the audit was initiated.

To be sure, the new CID and TDD requirements should not pose an issue for those districts that continue to operate in compliance with all laws and regulations. However, there are additional administrative burdens and associated costs in the event of an audit. State Auditor Nicole Galloway states that the reforms seek to promote transparency and accountability, and are part of a broader effort to strengthen government oversight of public projects. But with millions of taxpayer dollars at stake, you can expect to see these new measures being enforced vigorously in the months and years to come—further emphasizing the importance of making sure statutory processes are properly followed and written records are appropriately kept.

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