CCS SS SCS HCS HB 289 -- TAX INCENTIVES FOR ECONOMIC DEVELOPMENT

MISSOURI DOWNTOWN ECONOMIC STIMULUS ACT

This bill:

(1) Defines “central business district” as that area which is locally known as the “downtown” with at least 50% of buildings being 35 years or older and a median household income of under $62,000;

(2) Requires Kansas City, St. Louis City, and St. Louis County to approve a disadvantaged business enterprise program for implementation by the downtown economic stimulus authority. The bill explains the requirements of the program;

(3) Prohibits new applications for downtown development financing from being approved after January 1, 2013;

(4) Allows applications for downtown development funding to be approved prior to August 28, 2003, if the project is located in a county for which assistance has been requested by the Governor due to a natural disaster of major proportions that occurred between May 1 and May 10, 2003;

(5) Allows the Missouri Development Finance Board to approve up to two development project applications in Kansas City prior to December 31, 2006. These projects will receive up to 50% of the incremental increase in all general revenue sales taxes;

(6) Requires Kansas City, St. Louis City, St. Louis County, Boone County, and all municipalities within Boone County to establish a community development corporation revolving fund for the purpose of providing funds to community development corporations to stimulate economic development, housing, and other public benefits leading to the development of economically sustainable neighborhoods;

(7) Requires that the fund be administered by a board with six members appointed by the mayor or chief executive officer of the municipality. The bill explains how the board members are selected and their terms;

(8) Allows the General Assembly to appropriate up to 5% of the state sales tax increment portion of other net new revenues generated by development projects certified for state supplemental downtown development financing to be deposited into the State Supplemental Downtown Development Fund for the purpose of providing grants to these cities and counties for these programs; and

(9) Prohibits the sum of the grants from exceeding $1.5 million annually.

MISSOURI RURAL ECONOMIC STIMULUS AUTHORITIES

The bill defines “development project” as a project that creates a renewable fuel production facility.

PROVISIONS COMMON TO MISSOURI DOWNTOWN ECONOMIC STIMULUS AUTHORITIES AND MISSOURI RURAL ECONOMIC STIMULUS AUTHORITIES

The bill:

(1) Allows any municipality to create a Downtown Economic Stimulus Authority or a Rural Economic Stimulus Authority, as long as certain findings are made; however, municipalities within St. Louis County are required to form a county-wide authority;

(2) Prohibits downtown and rural development funding from being used for the construction, maintenance, or operation of any sports stadium or arena that is used for spectator events and seats over 10,000;

(3) Requires that each authority be governed by a board of commissioners. The bill explains how the board of commissioners is selected for the authority. Each board will have five to 14 commissioners;

(4) Outlines the powers of the authority. These authorities are prohibited from exercising eminent domain;

(5) Explains how these authorities may dispose of property and discusses how fair market value will be determined;

(6) Explains the requirements of the downtown and rural development plans;

(7) Allows the municipality and the authorities to issue bonds for a development project but prohibits the state from issuing bonds for a development project;

(8) Requires that, if an authority’s development plan includes an endowment of positions at certain institutions of higher education, the endowment first be funded with a private donation to the institution in an amount equal to at least 50% of the total endowment. The remaining portion of the endowment can be paid from local or state funds associated with the development project;

(9) Allows municipalities to apply for money from the State

Supplemental Downtown Development Fund by submitting an application to the Missouri Development Finance Board. Municipalities with a rural economic stimulus authority can apply for money from the State Supplemental Rural Development Fund by submitting an application to the Missouri Agricultural and Small Business Development Authority. The bill explains the requirements of both applications;

(10) Prohibits the amount of State Supplemental Downtown Development Financing or State Supplemental Rural Development Fund approved for a project from being greater than the projected state benefit of the development project;

(11) Prohibits the amount of money available for disbursement from the State Supplemental Downtown Development Fund from exceeding $150 million annually. The amount of money available for disbursement from the State Supplemental Rural Development Fund cannot exceed $12 million annually;

(12) Prohibits development projects that use State Supplemental Downtown Development Financing or State Supplemental Rural Development Financing from also using tax increment financing;

(13) Considers the reasonable costs incurred by the departments of Economic Development and Revenue, the Office of Administration, the Missouri Development Finance Board, and the Missouri Agricultural and Small Business Development Authority for processing applications for funding as allowable development project costs. These costs can include the portion of salaries and expenses that can be reasonably allocated to each development project;

(14) Establishes the State Supplemental Downtown Development Fund and the State Supplemental Rural Development Fund, which are both administered by the Department of Economic Development. The downtown development fund will consist of the first $150 million of other net new revenues generated annually by the development projects, fees charged for salaries of state employees that are attributable to the development projects, and any gifts or other contributions. The rural development fund will consist of the first $12 million of other net new revenues generated annually by the development projects, fees charged for salaries of state employees that are attributable to the development projects, and any gifts or other contributions;

(15) Requires the department to annually disburse financing from the funds in amounts determined by the certificates of approval for projects. If the revenues in the funds are not sufficient to equal the amounts indicated on certificates of approval, the department will disburse revenues on a pro rata basis to all

approved projects;

(16) Prohibits municipalities from obligating state funds prior to receiving a certificate of approval from the department;

(17) Requires a joint committee of the General Assembly to review the act every five years, beginning in 2008. A report must be issued to the Speaker of the House of Representatives and the President Pro Tem of the Senate no later than February 1 following the year in which the review was conducted;

(18) Requires each municipality to submit an annual report concerning the status of its development plan to the director of the department. The department and the Missouri Development Finance Board will review reports submitted for downtown development projects, and the department and the Missouri Agricultural and Small Business Development Authority will review reports submitted for rural development projects; and

(19) Requires the director of the department to submit a report to the Governor, the Speaker of the House of Representatives, and the President Pro Tem of the Senate summarizing the information submitted by the municipalities. This report must be submitted by April 30 of each year.

AGRICULTURAL AND SMALL BUSINESS DEVELOPMENT AUTHORITY

The bill defines a new term, “value-added agricultural products.”

AUTO MANUFACTURING PLANT IN HAZELWOOD

(1) Exempts 50% of the Missouri taxable income attributed to the Hazelwood Ford Plant from taxation;

(2) Allows Ford to use the following tax credits for 10 years:

(a) A $400 or $500 tax credit for each employee retained by Ford at the Hazelwood facility;

(b) A $400 tax credit for each year in which a retained employee lives in Hazelwood. This tax credit can be prorated for employees who have not lived in Hazelwood for a full year;

(c) An annual $400 tax credit for each retained employee that fits the criteria for “a person difficult to employ.” This tax credit can be prorated for employees who have not worked for the facility for a full year;

(d) A tax credit equal to 80% of the training expenses that are in excess of $400 per trainee for trainees who are residents of

Hazelwood or who meet the definition of “persons difficult to employ.” This tax credit cannot exceed $400 per trainee; and

(e) A tax credit equal to 10% of the first $10,000 of qualifying investment, a 5% tax credit on the next $90,000 of qualifying investment, and a 2% tax credit on all remaining qualifying investments;

(3) Allows Ford to receive a tax refund for the facility in Hazelwood, but only if the certified tax credits exceed Ford’s total Missouri tax liability by at least $1 million. In this case, a portion of the tax credits earned will be considered an overpayment of taxes and may be refunded. The maximum amount of the refund cannot exceed $2 million a year;

(4) Prohibits Ford from taking advantage of the tax exemption for new businesses in enterprise zones, tax credits for a new or expanded business facility in an enterprise zone, tax credits for training employees, tax credits for new or expanded business facilities, or the income tax refund for establishing a new business facility in an enterprise zone if it uses the tax exemption, tax credits, and tax refund explained in the bill;

(5) Allows Ford to participate in the New Jobs Training Program; and

(6) Requires any contract entered into between Ford and the Department of Economic Development to include a requirement that the company maintain operations at the facility for at least 10 years at a specified employment level. The contract must also include provisions for repayment of incentives upon breach of contract.

For the purposes of tax credits for Business-Use Incentives for Large-Scale Development (BUILD), the bill defines “essential industry” to include the Ford Plant in Hazelwood. Existing jobs at the plant are allowed to be considered new jobs for the purpose of receiving BUILD tax credits.

The bill also limits the amount of authorized BUILD tax credits to $11 million annually and removes the $75 million limit on revenue bonds the Missouri Development Finance Board can sell.

SUPER-TAX INCREMENT FINANCING

The bill:

(1) Authorizes retail sales taxes to be included in the calculation of “new state revenues” for the purpose of state tax increment financing (Super-TIF) under certain circumstances;

(2) Expands what is required on a Super-TIF application; and

(3) Specifies how economic activity taxes and new state tax revenues will be calculated for a national headquarters that has moved from another state to Missouri.

INDUSTRIAL DEVELOPMENT CORPORATIONS

For any industrial development plan approved after August 28, 2003, that authorizes the issuance of revenue bonds or the conveyance of a fee interest in property to the municipality, the bill requires that the project plan also include a statement identifying each taxing district affected by the project, except property associated with railroads, street railroads, bridges, and express and public utilities that are assessed by the State Tax Commission. The project plan must also include the most recent equalized assessed valuation of the real and personal property included in the project and an estimate as to the equalized assessed valuation of real and personal property included in the project after development. A cost-benefit analysis is also required, as is the identification of any payments in lieu of taxes or other payments expected to be made by the lessee of the project.

The bill requires that the county in which the municipality is located and any school district be notified of any hearing regarding an industrial development project and invited to testify to the governing body about the project.

The current assessed value of all property within the taxing district must be included in the aggregate valuation of assessed property to be used for the purpose of determining the local government’s debt limitation.

Current law requires municipalities to file a report with the Department of Economic Development regarding the revenue bonds issued in the previous year. The bill requires the report to also include a general description of the property purchased by the municipality with bond proceeds.

TAX CREDITS FOR INVESTMENT IN SMALL BUSINESSES

The bill:

(1) Redefines the term “community development corporation”; and

(2) Requires the Department of Economic Development to allocate up to 10% of its total appropriation for community development corporations to the community development corporation association

for costs associated with the activities of the association.

TAX CREDITS FOR INVESTMENTS IN CERTIFIED CAPITAL COMPANIES (CAPCO)

The bill allows a qualified investing entity to make qualified investments on behalf of a certified capital company. A qualified investing entity must be a wholly owned subsidiary of a certified capital company, so it would be making qualified investments on behalf of its parent company. In addition, with regard to CAPCO, the bill:

(1) Modifies the definitions of “capital in a qualified Missouri business” and “qualified Missouri business” and defines the term “qualified investing entity”;

(2) Removes the limitation on gross sales of a qualified Missouri business in a distressed community. Current law states that these businesses cannot have gross sales in excess of $5 million during the most recently completed fiscal year; and

(3) Requires that all qualifying investments made by a qualifying investment entity receive prior approval from the Department of Economic Development before they can be considered actual qualifying investments.

TRANSITIONAL SCHOOL DISTRICT

The bill exempts the operating levy of the transitional school district (which has the same boundaries as the St. Louis City School District) from being subject to a certificate of tax abatement and further exempts the operating levy or its sales tax equivalent amount from tax increment financing in connection with any redevelopment plan adopted by the City of St. Louis on or after January 1, 2004.

SATELLITE ENTERPRISE ZONES

The bill requires the Department of Economic Development to designate satellite enterprise zones in St. Joseph, Independence, and Springfield.

OTHER

The bill:

(1) Prohibits investment funds services corporations from being required to pay an annual license fee in excess of $25,000 after December 31, 2003; and

(2) Prohibits any village with fewer than 1,300 inhabitants from imposing a business license tax in excess of $10,000 per license.