

HCS HB 680 -- JOB RETENTION PROGRAMS

SPONSOR: Dempsey

COMMITTEE ACTION: Voted "do pass" by the Committee on Job Creation and Economic Development by a vote of 19 to 0.

Relating to a motor vehicle manufacturing facility in the City of Hazelwood, this substitute:

(1) States that 50% of the Missouri taxable income attributed to an approved retained business facility in Hazelwood is exempt from taxation;

(2) Allows the following tax credits for the facility for 10 years:

(a) A \$400 or \$500 tax credit for each employee retained by the 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, as long as the trainee is a resident of Hazelwood or is defined as "a person 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 a qualifying investment, a 5% tax credit on the next \$90,000 of a qualifying investment, and a 2% tax credit on all remaining qualifying investments;

(3) Allows a tax refund to be issued to the facility in Hazelwood, but only if the certified tax credits exceed the company'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 to the company. The maximum amount of the refund cannot exceed \$2 million a year;

(4) Prohibits the facility 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, or tax refund explained in the substitute;

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

(6) Requires any contract entered into between the facility 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 particular employment level. The contract must also include provisions for repayment of incentives upon breach of contract.

Relating to tax credits for business-use incentives for large-scale development, the substitute:

(1) Limits the amount of these tax credits to \$11 million annually;

(2) Removes the \$75 million limit on revenue bonds the Missouri Development Finance Board can sell;

(3) Defines "essential industry" as a targeted industry located in Hazelwood. The industry must meet certain criteria including having maintained at least 2,000 jobs in the four years prior to applying for tax credits, retained a certain level of employment, and invested a minimum of \$500 million by the end of the third year following the issuance of these tax credit certificates; and

(4) Allows existing jobs in an essential industry to be considered new jobs.

The substitute contains an emergency clause.

FISCAL NOTE: Not available at time of printing.

PROPOSERS: Supporters say that the bill is necessary to prevent the Ford plant in Hazelwood from closing. If the plant closes, Missouri will lose around 14,000 jobs. Approximately 2,800 of these would be jobs lost as a direct result of the Ford plant closing and an additional 11,000 jobs would be lost in industries which rely upon the plant, such as auto part suppliers. Without the bill, there is no chance that these jobs can be saved. The state will also lose \$25 million in tax revenue each year. The bill does not give "free money" to Ford. Rather, it requires a minimum capital investment of \$500 million from Ford and workforce training.

Testifying for the bill were Speaker Hanaway; Representatives Spreng, Zweifel, and Darrough; Department of Economic Development; United Auto Workers Local 325; Missouri Community Colleges; Missouri Chamber of Commerce; City of Hazelwood; City of Florissant; St. Louis Regional Chamber and Growth Association; Missouri AFL-CIO; St. Louis County Executive; and Ameren UE.

OPPONENTS: There was no opposition voiced to the committee.

Alice Hurley, Legislative Analyst