HS SCS SB 1155 -- ECONOMIC DEVELOPMENT

This bill changes the laws regarding economic development.

JOBS NOW PROGRAM

The bill:

(1) Creates the Jobs Now Recommendation Committee which is comprised of representatives from the departments of Economic Development, Agriculture, Natural Resources, and Transportation. The committee will establish application materials and procedures for development agencies to follow when applying for grants and loans from the Board for Jobs Now projects. Applications must be submitted simultaneously to the committee and the board. The committee will review the applications and prepare analyses and recommendations for submission to the board, which the board can use when determining whether or not to approve a particular project for a grant or loan;

(2) Explains what determinations must be made by the board before all or part of a grant or loan can be made. The board must give preference to projects that protect natural resources or rehabilitate dilapidated or inadequate infrastructure found in distressed communities. The board must also determine that the Jobs Now project will not happen without the grant or loan; will have a significant local economic impact; or demonstrates high levels of job creation. In the case of a low- or no-interest loan, the board must determine that the Jobs Now project will generate sufficient revenues to repay the principal loan amount and any applicable interest. No loan or grant may exceed $2 million;

(3) Creates the Jobs Now Fund, which will be administered by the Missouri Development Finance Board. The board is authorized to make loans and grants from the Jobs Now Fund. Up to $12 million will be allocated to the fund annually. This money will come from the increase in state revenues resulting from the elimination of new or expanded business facility tax credits, enterprise zone tax credits and exemptions, transportation development tax credits, and tax credits for qualified research expenses;

(4) Requires Jobs Now projects to provide appropriate employment and business opportunities for minority, women, and disadvantaged business enterprises;

(5) Defines “jobs now projects”;

(6) Repeals a provision of current law that requires copies of

all documents filed with the board regarding a loan be forwarded to the Department of Economic Development. Current law requires that, if this information is forwarded to the department, they become responsible for the administration of the agreements. In the event of a substantial default in the terms of any of these agreements, the department must notify the board so that it can take the necessary steps to protect its interests.

ENHANCED ENTERPRISE ZONES

The bill:

(1) Explains the criteria an area must meet to qualify as an enhanced enterprise zone;

(2) Requires all enhanced enterprise zones to have a board with seven members. The bill explains the membership of the board and requires the board to report annually to the director of the department on the status of the zone;

(3) Requires all governing authorities that want to have an enhanced enterprise zone within its jurisdiction to hold public hearings. The bill outlines the requirements of the hearing and notification;

(4) Explains the required elements of the governing body's petition asking the department to designate an enhanced enterprise zone;

(5) States that enhanced enterprise zones will be designated for 25 years and become effective upon the department's approval;

(6) Allows improvements made to real property located within an enhanced enterprise zone to be exempt from ad valorem taxes for up to 25 years from the date on which the zone is designated. At least 50% of the ad valorem taxes which are imposed on subsequent improvements to real property located within an enhanced enterprise zone will be exempt from taxation for at least 10 years;

(7) Allows the owner of a new business in an enhanced enterprise zone a tax credit. The tax credit can be claimed for up to 10 years. In order to receive a credit, the owner must employ at least two people and invest at least $100,000 in the new business facility. Recipients of this tax credit cannot receive tax credits for new or expanded business facilities, enterprise zones, or the relocation of a business to a distressed community. The credit will be equal to the lesser of:

(a) The projected economic benefit the state will receive from the project as determined by the department; or

(b) Four hundred dollars for each employee working at the facility located within the enhanced enterprise zone, $400 for each employee who lives in the enhanced enterprise zone, $400 for each employee who is paid a wage that exceeds the average wage paid within the county where the business is located, and 2% of the business facility's investment within the enhanced enterprise zone;

(8) Prohibits the department from authorizing more than $4 million annually for all enhanced business enterprises until January 1, 2007, and no more than $7 million annually thereafter;

(9) Allows expansions of existing businesses to be eligible for the tax credits, as long as the same criteria for a new business facility are met;

(10) Allows tax credits to be sold or transferred but prohibits them from being carried forward;

(11) Allows the department to adopt rules, policies, and procedures that are necessary to carry out the enhanced enterprise zone provisions; and

(12) Allows all enterprise zones established before January 1, 2006, to receive the tax benefits of an enhanced enterprise zone, but not until after January 1, 2007.

JOB TRAINING FOR RETAINED JOBS

The bill allows community college districts to enter into project agreements, with the approval of the Department of Economic Development after consultation with the Office of Administration, with employers who have retained jobs in a stable industry. The requirements for qualifying employers are specified. The term "stable industry" is defined as one which has maintained at least 100 employees per year, has agreed to make a $1 million capital investment, or is at risk of leaving the state.

Community colleges will provide job training, skills assessments, and training facilities among other services and may subcontract with other public or private colleges and governmental agencies. The agreements may provide that program costs be met by receipt of retained jobs credits from withholding, based on 2.5% of the gross wages paid to employees in the first 100 retained jobs and 1.5% for any additional retained jobs. The employer is responsible for meeting any shortfall in withholdings. Community college districts may issue industrial retained job training certificates to provide funds for the payment of the costs of the programs, with a statewide cap of $15 million.

A project is prohibited from using this program if it is also using the New Jobs Training Program.

ST. CHARLES COUNTY THEATER, CULTURAL ARTS, AND ENTERTAINMENT DISTRICT

The bill authorizes voters and property owners in St. Charles County to establish a theater, cultural arts, and entertainment district to be funded by a sales tax of up to 0.5%. Minimum criteria is established for the formation of the district, including land area and petition requirements.

Registered voters or property owners may file a petition requesting that the district be established. This petition can be filed with the governing body of the city in which the district is to be established or any circuit court in St. Charles County. The bill specifies the requirements of the petition. A hearing regarding the formation of the proposed district must be held before the question can be placed on a ballot at an election. Subdistricts within the district can oppose the creation of the district and be excluded from the sales tax.

The district will be controlled by a board of directors. Qualifications of the board and the powers possessed and exercised by the district are specified.

The sales tax will be collected by the district and placed into a special trust fund for the purposes of the district. The sales tax cannot be increased or abolished if the district has outstanding debts.

HICKORY COUNTY RURAL EMPOWERMENT ZONES

Hickory County is authorized to establish up to two rural empowerment zones. The department will review the application to ensure that the area meets certain criteria.

New businesses and revenue-producing enterprises located in the zone will be exempt from paying all Missouri income taxes attributable to the business until August 28, 2014, provided the business creates a certain number of new full-time jobs within one year from the date on which the tax exemption begins. New businesses must create at least 10 new jobs; revenue-producing enterprises that employ fewer than 20 people must create at least five new jobs; and revenue-producing enterprises that employ 20 or more people must create a number of new jobs equal to 25% of the number of full-time employees employed by the revenue-producing enterprise.

LINKED DEPOSITS

The bill defines "eligible multi-tenant development enterprises" as a new business that develops multi-tenant lab space for targeted industries, as determined by the department. The total amount of money that can be invested in linked deposits is increased by $10 million, raising the amount that can be invested at any one time to $360 million. No more than $10 million can be used for linked deposits to eligible multi-tenant development enterprises.

SALES TAXES

The cities of Springfield and Joplin, any city within the counties of Jasper or Butler, and Butler County are allowed to impose a sales tax for economic development. Buchanan County or the City of St. Joseph can also impose this tax. The tax cannot be more than 0.5%, and no revenue from the tax can be used for any retail development project. No more than 25% of the revenue generated can be used for administrative purposes, and at least 20% of the revenue generated must be used for long-term economic development preparation. If this tax is imposed, the governing body must establish an economic development tax board which must develop economic development plans, economic development projects, or designations of development areas.

The board must report annually to the appropriate governing body on the status of any plan, project, or designation. At any election, the question of whether or not the tax should be repealed can be put on the ballot at the discretion of the governing body. If a petition calling for the repeal is signed by 10% of the registered voters, the governing body must hold an election on the issue.

BUSINESS LICENSE TAX

Under current law, a business license tax up to $10,000 may be imposed by villages with less than 1,300 inhabitants. The limit is increased to $15,000.

MISCELLANEOUS PROVISIONS

The bill also:

(1) Prohibits tax credits for new or expanded business facilities from being approved, awarded, or issued to new businesses after January 1, 2005;

(2) Prohibits tax credits for qualified research expenses from being approved, awarded, or issued after January 1, 2005;

(3) Prohibits revenue-producing enterprises from receiving enterprise zone tax exemptions, tax credits, or refunds for businesses that begin operations after January 1, 2005;

(4) Prohibits tax credits for investment in, or relocating a business to, a distressed community from being approved, awarded, or issued after January 1, 2005;

(5) Repeals the Missouri Individual Training Account and the Mature Worker Child Care Program;

(6) Increases the cap on Neighborhood Assistance Program tax credits that can be approved from $4 million to $6 million in 2005, 2006, and 2007. In 2008 and beyond, this cap will remain at $4 million;

(7) Expands the definition of “eligible industry” as it relates to the Business Use Incentives for Large-Scale Development (BUILD) Program to include a tax preparation company headquarters in Kansas City as long as the company creates 100 new jobs for eligible employees. The company must also invest at least $15 million in an economic development project;

(8) Increases the aggregate amount of BUILD tax credits that can be authorized from $11 million to $15 million;

(9) Prohibits any sales tax authorized in St. Louis County for storm water control or local parks from being assessed on the sale of food;

(10) Repeals the Community Comeback Act. The local use tax in St. Louis County, which is currently used to fund the program, will be used for economic development and enhancing local government in St. Louis County. This tax cannot be imposed on the sale of food. The bill defines "economic development”;

(11) Requires the department to designate enterprise zones in the cities of Sugar Creek, St. Ann, Pacific, and St. Clair; an enterprise zone that is partially located in the City of Nixa and partially in the City of Ozark; and an enterprise zone that is partially located in the cities of Sugar Creek, Independence, and Kansas City;

(12) Requires the department to designate enterprise zones in Shelby, Webster, Douglas, and Laclede counties and authorizes through 2015 the enterprise zones that exist in Linn and Macon counties;

(13) Requires any area of the state that qualifies to be an enterprise zone to be designated as one;

(14) Allows tax exemptions within the City of Springfield's enterprise zone to continue for 25 years from the time the exemption was first granted rather than from the time the zone was created as required by current law;

(15) Requires that any abatement or exemption for a business in an enterprise zone stop 30 days after the business closes or there is a significant change in the type of business conducted. A new owner can reapply to receive the abatement or exemption, but cannot receive the benefit for any period of time beyond the life of the zone;

(16) Allows property within an enterprise zone to be exempt from taxation for up to 25 years from the date on which the exemption is granted, not the date on which the zone is designated;

(17) Expands the definition of "distressed community" to include areas within metropolitan statistical areas that were designated as either a federal empowerment zone, a federal enhanced enterprise community, or a state enterprise zone designated prior to January 1, 1986, but will not include the expansion of those zones done after March 16, 1988;

(18) Removes eligible farmers' markets from the list of organizations to which services can be provided in exchange for neighborhood assistance tax credits. “Eligible new generation cooperative” is also removed from the list of definitions. These changes are the result of a court decision that declared Senate Bill 894, passed in 2000, unconstitutional. Everything that was in Senate Bill 894 was left in statute, but is unenforceable;

(19) States that the St. Louis County Metropolitan Park District is not restricted from initiating projects related to parks not necessarily connected to trails. The bill prohibits the district from regulating water quality, watershed, or land use issues in St. Louis County;

(20) Expands the definition of “development project,” as it relates to the Missouri Rural Economic Stimulus Act (MORESA), to include eligible new generation processing entities. Current law only allows projects that create renewable fuel production facilities to participate in MORESA. The bill also allows the Missouri Agricultural and Small Business Development Authority to charge reasonable fees associated with the development project, instead of the Missouri Development Finance Board;

(21) Allows the City of Springfield to levy a capital improvement sales tax;

(22) Prohibits the City of Edmundson from levying a hotel/motel

license fee in excess of $27 per room per year and prohibits the City of Woodson Terrace from levying a hotel/motel license fee in excess of $13.50 per room per year;

(23) Expands the definition of “municipality,” as it relates to the Community Improvement District Act, to include any city, village, incorporated town, or any unincorporated area of St. Louis County. Current law defines “municipality” as any city located in any first or second classification county and the City of St. Louis; and

(24) Expands the Community Improvement District Act to allow any district formed as a political subdivision to establish a sales tax to fund the district. Current law allows only the City of Kansas City to levy this tax.