HCS SS SB 343 -- JOB DEVELOPMENT PROGRAMS

SPONSOR: Bartle (Richard)

COMMITTEE ACTION: Voted "do pass" by the Committee on Job Creation and Economic Development by a vote of 15 to 1.

This substitute changes the laws regarding job development programs administered by the Department of Economic Development.

TAX INCREMENT FINANCING

The substitute:

(1) Specifies that at no time can the annual amount approved for disbursement from the Missouri Supplemental Tax Increment Financing (TIF) Fund together with the annual amount approved for disbursement from the State Supplemental Downtown Development Fund exceed $140 million. Currently, the aggregate appropriation to only the TIF fund cannot exceed $15 million (Section 99.845, RSMo); and

(2) Removes the requirement that all personnel and other costs incurred by the Department of Economic Development for the administration and operation of the Missouri Supplemental TIF Fund must be paid from general revenue and reimbursed by the TIF projects' developers. However, the state can still ask that the reasonably incurred expenses of the departments of Economic Development and Revenue for the administration of the TIF projects be reimbursed from the revenues deposited into the Missouri Supplemental TIF Fund (Section 99.845).

BUSINESS USE INCENTIVES FOR LARGE-SCALE DEVELOPMENT PROGRAM (BUILD)

The substitute:

(1) Authorizes certain development agencies or a corporation, limited liability company, or partnership that is formed on behalf of the development agency to act as an eligible industry as it relates to the Business Use Incentives for Large-Scale Development (BUILD) Program (Section 100.710); and

(2) Requires that $950,000 of the $15 million in tax credits authorized annually for BUILD be reserved for an approved project in the City of Kansas City (Section 100.850).

MISSOURI QUALITY JOBS PROGRAM

The substitute:

(1) Establishes the Missouri Quality Jobs Program to provide incentives to businesses in return for the new tax revenues and

other economic stimulus that will be produced by the new jobs created as a result of the program (Section 620.1875);

(2) Prohibits any qualified company that receives benefits through the program from receiving tax credits or exemptions for the same new jobs at the project facility through new or expanded business facilities, enterprise zones, relocating a business to a distressed community, and rural empowerment zones (Section 620.1881);

(3) Defines the following four project types (Section 620.1881):

(a) Small and expanding business projects which create at least 20 new jobs in two years if located in a rural area or 40 new jobs in two years if located elsewhere. In either case, the business cannot have more than 100 total employees. Qualified companies may retain for three years an amount equal to the withholding taxes from the new jobs if the average wage of the new payroll equals or exceeds the county's average wage. If the average wage of the new payroll is at least 120% of the county's average wage, the amount may be retained for five years;

(b) Technology business projects which create at least 10 new jobs within two years. Seventy-five percent of the jobs must be directly involved with the operations of the technology company. Qualified companies may retain for five years an amount equal to a maximum of 5% of the new payroll from the withholding tax of the new jobs if the average wage of the new payroll equals or exceeds the county's average wage. An additional 0.5% of new payroll may be retained if the average wage of the new payroll exceeds 120% of the county's average wage in any year. If the average wage of the new payroll exceeds 140% of the county's average wage in any year, an additional 0.5% may be retained. The Department of Economic Development will issue a refundable tax credit for any difference between the benefit allowed and the withholding tax retained in the event that the withholding tax is not sufficient to provide the entire benefit due to the qualified company. The maximum amount of tax credits that can be issued in a calendar year is $500,000 and cannot be carried forward but can be sold. A refund will be issued to the qualified company if the credits exceed the company's tax liability;

(c) High-impact projects which create at least 100 new jobs within two years. Qualified companies may retain an amount from the withholding tax of the new jobs equal to 3% of new payroll for a period of five years if the average wage of the new payroll equals or exceeds the county's average wage. A qualified company may retain 3.5% of new payroll if the average wage of the new payroll in any year exceeds 120% of the county's average wage or 4% of the new payroll if the average wage in any year exceeds 140% of the county's average wage. An additional 1% of new payroll may be added if local incentives are between 10% and 24% of the new direct local revenues; 2% of new payroll may be added if the local incentives are between 25% and 49%; or 3% of payroll may be added if the local incentives are 50% or more of the new direct revenue. The department will issue a refundable tax credit for any difference between the benefit allowed and the withholding tax retained in the event that the withholding tax is not sufficient to provide the entire benefit due to the qualified company. The maximum amount of tax credits that can be issued in a calendar year is $750,000. This amount can be increased to $1 million if the action is proposed by the department and approved by the Quality Jobs Advisory Task Force. This tax credit cannot be carried forward but can be sold. A refund will be issued to the qualified company if the credits exceed the company's tax liability; and

(d) Job retention projects which the qualified company has employed at least 1,000 full-time, year-round employees during the two years prior to the year in which the application for the program is made. The average wage for these employees must be greater than the county's average wage and the same level of full-time, year-round employees must be retained after the application is made. The qualified company must make a $70 million investment or a $30 million investment while maintaining an annual payroll of at least $70 million. In either case, the investment must be made within two years of making an application for the program. Local taxing entities must provide local incentives of at least 50% of the new local revenues created by the project for 10 years. The tax credit will be up to 50% of the withholding tax generated by the full-time, year-round employees at the project facility for five years. The maximum amount of tax credits that can be issued in a calendar year is $750,000. This amount can be increased to $1 million if the action is proposed by the department and approved by the Quality Jobs Advisory Task Force. The total amount of tax credits issued for all projects cannot exceed $3 million annually, and no tax credits will be issued after August 30, 2007. This tax credit cannot be carried forward but can be sold. A refund will be issued to the qualified company if the credits exceed the Company’s tax liability;

(4) Requires qualified companies to provide an annual report to the department documenting the basis for the benefits of this program (Section 620.1881);

(5) Stipulates that the maximum amount of tax credits that can be issued in a calendar year for the entire program is $12 million. The substitute reduces the annual amount of tax credits that can be authorized for relocating a business to a distressed community from $10 million to $8 million and specifies that the remaining $2 million must be transferred to the program. There is no limit on the amount of withholding taxes that may be retained by approved companies under the program (Section 620.1881);

(6) Establishes the Quality Jobs Advisory Task Force consisting of the chairperson of the Senate's Economic Development Committee, the chairperson of the House of Representatives's Economic Development Committee, a member of the House of Representatives’s Economic Development Committee appointed by the Minority Leader of the House of Representatives, a member of the Senate’s Economic Development Committee appointed by the Minority Leader of the Senate, the Director of the Department of Economic Development, and two members appointed by the Governor (Sections 620.1884 and 620.1887);

(7) Requires the department to submit an annual report to the General Assembly by March 1 of each year. The substitute specifies the requirements of the report (Section 620.1890);

(8) Authorizes the department to charge the recipient of any tax credit a fee in an amount of up to 2.5% of the tax credits issued. The fee must be paid when the tax credits are issued; however, no fee will be charged for youth opportunities and violence prevention, the Family Development Account, or neighborhood assistance tax credits (Section 620.1900); and

(9) Creates the Economic Development Advancement Fund for the deposit of all fees for tax credits. At least 50% will be appropriated for marketing, technical assistance, training, contracts for specialized economic development services, and new initiatives and pilot programming to address economic trends. The remaining money may be appropriated for staffing, operating expenses, and accountability functions of the department (Section 620.1900).

LOCAL OPTION SALES TAX

Any city or county is authorized to levy a sales tax of up to 0.5%, upon voter approval. This tax must be in lieu of the economic development sales tax allowed by Sections 67.1300 and 67.1303. Revenue collected from this tax will be deposited by the Director of the Department of Revenue in the city's or county's local option economic development sales tax trust fund. These funds will not be considered state money and will be distributed monthly to the city or county which levied the tax. The substitute specifies how the funds are to be spent and requires that the city or county establish an economic development tax board. The Department of Economic Development must submit to the Joint Committee on Economic Development by March 1 of each year a one-page report summarizing the status of each project using this sales tax. The substitute specifies what must be included in this report (Section 67.1305).

MISCELLANEOUS PROVISIONS

The substitute expands the term “computer programming” corporation to include Internet, web hosting, and other information technology and expands the term "telecommunications corporation" to include wireless, wired, or other telecommunications corporations allowing these corporations to receive a tax credit for investing in or relocating a business to a distressed community (Section 135.535).

FISCAL NOTE: Estimated Cost on General Revenue Fund of Unknown in FY 2006, FY 2007, and FY 2008. Could exceed $100,000. No impact on Other State Funds in FY 2006, FY 2007, and FY 2008.

PROPONENTS: Supporters say that the bill will help Missouri become competitive. Missouri must compete with nearby states and Canada. Canada is very appealing to a variety of industries, auto manufacturers in particular, because of lower health care costs and financial incentives. The bill increases the tax increment financing (TIF) cap, which is necessary in order to accommodate all of the state's TIF projects.

Testifying for the bill were Senator Bartle; Missouri Economic Development Council; Greater Kansas City Chamber of Commerce; City of Kansas City; Missouri Chamber of Commerce and Industry; Associated Industries of Missouri; Missouri Community Colleges Association; St. Louis County Economic Council; St. Louis Regional Chamber and Growth Association; Department of Economic Development; and Missouri Association for Social Welfare.

OPPONENTS: There was no opposition voiced to the committee.

Alice Hurley, Legislative Analyst