HB 2040 -- Economic Development

Sponsor: Flook

This bill changes the laws regarding several economic development programs.

TAX CREDIT PROGRAMS

In its main provisions, the bill:

(1) Changes the name of the Neighborhood Assistance Act to the Affordable Housing Assistance Act and reduces the amount of total tax credits available from $32 million to $26 million annually;

(2) Establishes the Community Assistance Program which will issue tax credits for contributions to projects that include community development, education, physical revitalization, job training, and youth development. These tax credits may be carried over for the next five tax periods, sold, or transferred. The tax credit's value will be equal to 30% of the contribution for in-kind contributions; 50% of the contribution for monetary contributions; or 70% of the contribution for monetary contributions to a rural community project;

(3) Establishes the Small Business Incubators Program which consists of a loan, loan guarantee, and grant program for the establishment and operation of small business incubators. A local sponsor can submit an application to the Department of Economic Development to obtain a loan, loan guarantee, or grant. The bill specifies the requirements of the application, criteria which must be met in order to accept an application, the purposes for which a loan or grant can be used, and the responsibilities of the local sponsor. The Missouri Small Business Incubator Fund is established which will consist of appropriations, gifts, and other contributions. Taxpayers who make a contribution to the fund or to an approved local sponsor are entitled to a tax credit equal to 50% of the contribution. These tax credits may be carried over for the next five tax periods, sold, or transferred;

(4) Limits the total amount of tax credits granted under the Community Assistance Program and the Small Business Incubator Program to $26 million for Fiscal Year 2008 and after;

(5) Establishes the Development Tax Credit Program. Any business firm may apply to the department to conduct economic development projects. The department will approve applications on a case-by-case basis giving priority to manufacturing, processing, or assembly; corporate headquarters; services in interstate commerce; and warehouse or distribution projects

proposing wages above the average for the area and which provide health benefits. These tax credits may be carried over for the next five tax periods, sold, or transferred. Tax credits approved for all economic development projects cannot exceed $6 million in any fiscal year. Tax credits for economic development projects will be equal to the lesser of $10,000 per quality job created or retained; 50% of the purchase price of new capital improvements or equipment; $500,000 per project; or the least amount needed to cause the project to occur;

(6) Allows the department to terminate participation in the programs, require a refund of any donations, and require the participant to repay the state for any tax credits that have already been redeemed if the participant in the Community Assistance Program, Small Business Incubator Program, or Development Tax Credit Program fails to abide by the conditions of the program;

(7) Prohibits tax credits from being approved, awarded, or issued after January 1, 2007, to any person or entity claiming a tax credit under the Youth Opportunities and Violence Prevention Act, Family Development Account Program, or the current Small Business Incubator Program established in Section 620.495, RSMo; and

(8) Transfers the tax credit program for grape and wine producers from the department to the Missouri Agriculture and Small Business Development Authority and requires that activities qualifying the grower or producer for the tax credit be pre-approved by the authority based on established priority criteria. These tax credits may be transferred or sold and no more than $500,000 can be issued in one year.

TAX INCREMENT FINANCING

The bill:

(1) Specifies the manner in which the incremental increase in the general revenue portion of state sales tax revenues will be calculated; and

(2) Increases the amount of new state revenue approved for disbursement from the Missouri Supplemental Tax Increment Financing Fund from $32 million to $50 million annually.

MISSOURI DOWNTOWN ECONOMIC STIMULUS ACT (MODESA)

The bill:

(1) Specifies the manner in which the incremental increase in

the general revenue portion of state sales tax revenues will be calculated;

(2) Eliminates the requirement that the Department of Economic Development submit MODESA applications to the Missouri Development Finance Board;

(3) Allows the department to determine whether or not a particular applicant will receive funding from the State Supplemental Downtown Development Fund, rather than having the board do so as currently required;

(4) Reduces the amount of other net new revenues approved for disbursements from the State Supplemental Downtown Development Fund from $108 million to $58 million; however, this amount must include the other net new revenues approved for disbursement from the State Supplemental Rural Development Fund; and

(5) Specifies that the State Supplemental Downtown Development Fund will consist of other net new revenues generated annually by the development projects up to an amount approved by the department, rather than requiring that the first $150 million of other net new revenues generated annually by the projects be deposited into the fund.

MISSOURI RURAL ECONOMIC STIMULUS ACT (MORESA)

The bill:

(1) Increases the amount of other net new revenues approved for disbursements from the State Supplemental Rural Development Fund from $12 million to $58 million; however, this amount must include the other net new revenues approved for disbursement from the State Supplemental Downtown Development Fund; and

(2) Specifies that the State Supplemental Rural Development Fund will consist of other net new revenues generated annually by the development projects up to an amount approved by the department, rather than requiring that the first $12 million of other net new revenues generated annually by the projects be deposited into the fund.

DOWNTOWN REVITALIZATION PRESERVATION PROGRAM

The bill specifies the manner in which the incremental increase in state sales tax revenue will be calculated.

MISSOURI DEVELOPMENT FINANCE BOARD

The bill:

(1) Allows bonds issued by the Missouri Development Finance Board to mature within 40 years, rather than 30 as currently required;

(2) Specifies that any proceedings involving the validity or enforceability of any security for any bond issued by the board will be deemed to have been completed by the development agency in accordance with the laws under which the proceedings were authorized. These proceedings are not subject to legal challenge after the board issues the bonds on behalf of the development agency unless the challenge is brought within 90 days of the proceeding's end;

(3) Allows the security for any bond issued by the board to include a pledge of payments in lieu of taxes or economic activity tax revenues generated within a redevelopment area, even if the infrastructure facilities that are financed with the bonds are located within the redevelopment area generating the taxes or revenues;

(4) Removes the limit on loans the board can approve for infrastructure facility projects. Currently, the loan limit is $10 million;

(5) Changes the limit on tax credits given to entities which donate money to certain funds. Currently, the total tax credits awarded annually are equal to $10 million or 5% of the average growth in general revenue receipts in the three preceding fiscal years, whichever is less. The bill increases this to $20 million or 5% of the average growth in general revenue receipts in the three preceding fiscal years, whichever is less;

(6) Increases the aggregate principal amount of revenue bonds outstanding at any time with respect to which a tax credit can be issued from $50 million to $75 million; and

(7) Reduces the conditions which the board must find before agreeing to issue business use incentive for large-scale development (BUILD) tax credits to an eligible industry. Currently, the board must find that there is at least one other state that the eligible industry is considering for the project's location and a significant disparity must exist between the applicant's projected costs if the project is located in Missouri and if it is located in the competing state. Both of these are eliminated from the list of conditions which must exist before BUILD tax credits can be agreed to.

TAX CREDITS FOR SMALL BUSINESSES

The bill allows $500,000 to be available for tax credits for qualified investment in Missouri small businesses and qualified investors in community banks or community development corporations, rather than authorizing that this amount come from the Neighborhood Assistance Program as it is currently.

ENHANCED ENTERPRISE ZONES

The bill:

(1) Changes the definition of "employee" to include only full-time workers. The current definition includes full-time, part-time, and seasonal employees; and

(2) Requires the Department of Economic Development to verify through the Department of Revenue that the tax credit applicant does not owe any delinquent taxes, interest, or penalties and to verify through the Department of Insurance that the applicant does not owe any delinquent insurance taxes prior to issuing any tax credits. If the applicant is delinquent, the amount of tax credits issued will be reduced by the applicant's tax delinquency.

TAX CREDITS FOR ABANDONED PROPERTY AND REDEVELOPMENT PROJECTS

The bill allows tax credits for abandoned property and redevelopment projects to include up to 100% of the demolition costs that are not directly part of the remediation activities if the demolition is necessary to accomplish the planned use of the facility where the remediation activities are occurring.

MISSOURI QUALITY JOBS PROGRAM

The bill:

(1) Excludes educational services, religious organizations, and public administration from the definition of "qualified company";

(2) Allows the annual maximum amount of tax credits issued to any qualified company for a project to be increased to $1 million if the number of new jobs will increase by 500;

(3) Allows the qualified company to begin retaining withholding taxes when it reaches the minimum number of new jobs and the average wage exceeds the county average wage;

(4) Prohibits the qualified company from receiving tax credits or withholding taxes if the average wage is below the county average wage, if the qualified company has not maintained the required employee insurance, or if the number of new jobs does not meet the minimum. If a qualified company initially filed a

notice of intent and received approval from the department for high impact benefits and the minimum number of jobs is below the required minimum, the company will not receive tax credits for the balance of the benefit period but may continue to retain withholding taxes if it otherwise meets the requirements of a small and expanding business under the program;

(5) Increase the maximum amount of tax credits issued annually from $12 million to $24 million; and

(6) Requires the Department of Economic Development to verify through the Department of Revenue that the tax credit applicant does not owe any delinquent taxes, interest, or penalties and to verify through the Department of Insurance that the applicant does not owe any delinquent insurance taxes prior issuing any tax credits. If the applicant is delinquent, the amount of tax credits issued will be reduced by the applicant's tax delinquency.

OTHER PROVISIONS

The bill repeals:

(1) Tax credits for neighborhood assistance;

(2) Tax credits for homeless assistance;

(3) Youth Opportunities and Violence Prevention Act;

(4) Small business guaranty fees;

(5) Family Development Account Program; and

(6) Small Business Incubators Act.