HCS HB 327 -- JOB DEVELOPMENT

SPONSOR: Richard

COMMITTEE ACTION: Voted "do pass" by the Special Committee on Job Creation and Economic Development by a vote of 12 to 0.

This substitute changes the laws regarding the Quality Jobs Program, the Enhanced Enterprise Zone Program, and the New Jobs Training Program.

QUALITY JOBS PROGRAM

In its main provisions, the substitute:

(1) Eliminates the cap on the amount of tax credits that can be issued in a calendar year for the program. Currently, the cap is $12 million per year;

(2) Allows tax credits to offset taxes due from financial institutions under Chapter 148, RSMo. Currently, the credits can only be used to offset state income taxes imposed by Chapter 143;

(3) Changes the definition of "withholding tax" to a computation using a schedule determined by the Department of Economic Development based on average wages. Currently, the definition is the state tax imposed by Sections 143.191 - 143.265;

(4) Allows the calendar year's maximum amount of quality jobs tax credits issued to a qualifying company that participates in both the Quality Jobs Program and the New Job Training Program to be increased by an amount equivalent to the withholding tax retained by that company under the New Job Training Program if the combined benefits do not exceed the projected state benefits of the project;

(5) Requires that if the calendar year's annual maximum amount of quality jobs tax credits issued to any qualified company is increased by $1 million, the number of new jobs must exceed 500. Currently, this increase in tax credits can occur by receiving the approval of the department and the Quality Jobs Advisory Task Force;

(6) Specifies the method in which the county average wage will be calculated when a qualified company relocates employees from one county to another;

(7) Revises the definition of "full-time employee" from an employee who works an average of 35 hours per week to an employee of the qualified company that is scheduled to work an average of

35 hours per week, but leaves the remaining requirements of the definition unchanged;

(8) Changes the calculation of "new direct local revenue" so that local earnings taxes are excluded;

(9) Specifies that no jobs created before the notice of intent will be considered new jobs;

(10) Specifies the method in which new payroll will be calculated;

(11) Adds educational services, religious organizations, public administration, and utilities regardless of whether or not they are regulated by the Missouri Public Service Commission to the list of entities which are prohibited from being qualified companies;

(12) Allows qualified companies to retain withholding taxes once the minimum number of new jobs has been attained and the county average wage has been exceeded; and

(13) Requires the department 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, Financial Institutions, and Professional Registration that the applicant does not owe any delinquent insurance taxes prior to issuing any tax credits. The amount of tax credits issued will be reduced by any tax delinquency.

ENHANCED ENTERPRISE ZONE PROGRAM

In its main provisions, the substitute:

(1) Eliminates the cap on the amount of tax credits that can be issued in a calendar year for the program. Currently, the cap is $7 million per year;

(2) Changes the definition of an "employee" to a person employed by the enhanced business enterprise that is scheduled to work an average of at least 1,000 hours per year. Health insurance must be offered to employees at all times and must be partially paid by the employer. Currently, the definition of an "employee" as includes full-time, part-time, and seasonal employees;

(3) Adds educational services, religious organizations, public administration, and hospitals, to the list of entities which are prohibited from being enhanced business enterprises. However, headquarters or administrative offices which would otherwise be excluded may qualify for benefits if the offices serve a

multi-state territory;

(4) Allows speculative industrial or warehouse buildings constructed by a public entity, or a private entity if the land is leased by a public entity, to be exempt from ad valorem taxes, upon the approval of the governing authority. If the speculative building is owned by a private entity, the exemption cannot exceed two years. If it is owned or leased by a public entity, the exemption cannot exceed five years. Currently, only enhanced business enterprises can be exempt from these taxes; and

(5) Requires the department 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, Financial Institutions, and Professional Registration that the applicant does not owe any delinquent insurance taxes prior to issuing any tax credits. The amount of tax credits issued will be reduced by any tax delinquency.

NEW JOBS TRAINING PROGRAM

In its main provisions, the substitute:

(1) Allows community college districts to sell certificates until July 1, 2018. Currently, they cannot sell certificates after July 1, 2008; and

(2) Extends the program until July 1, 2028. Currently, it will expire on July 1, 2018.

FISCAL NOTE: Estimated Cost on General Revenue Fund of $64,005 to Unknown in FY 2008, $65,280 to Unknown in FY 2009, and $66,919 to Unknown in FY 2010. No impact on Other State Funds in FY 2008, FY 2009, and FY 2010.

PROPONENTS: Supporters say that it is of vital importance that the caps on tax credits for the Quality Jobs and Enhanced Enterprise Zone programs be eliminated. Eliminating the caps will create a frictionless environment in which to create new jobs and increase economic development. Leaving the caps in place will create uncertainty and risk for businesses, which will only encourage them to look to other states for relocation incentives. Quality Jobs is an incredibly successful program and eliminating the caps will only make it more successful. These are programs that benefit the entire state, not just the cities.

Testifying for the bill were Representative Richard; Department of Economic Development; Associated Industries of Missouri; Taxpayers Research Institute of Missouri; Missouri Economic Development Council; St. Louis Regional Chamber and Growth

Association; Cape Girardeau Area Chamber of Commerce; Benjamin Jones, America's Heartland Economic Partnership; Rodney Crim, City of St. Louis; Rodney Crim, St. Louis Development Corporation; Missouri Chamber of Commerce and Industry; Roy Hunter; Brent Derossett, Duck Creek Technologies; City of Joplin; Joplin Chamber of Commerce; Montgomery City Growth; Eaglepicher Technology; Springfield Area Chamber of Commerce; Monsanto Company; Economic Development Corporation of Kansas City, Missouri; George Walley, Northeast Missouri Development; St. Louis Community College; Greater Kansas City Chamber of Commerce; Metropolitan Community College; Missouri Association for Community Action; Johnson County Economic Development Corporation; and Missouri Community College Association.

OPPONENTS: There was no opposition voiced to the committee.