COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4495-11
Bill No.: SCS for HCS for HB 2058
Subject: Economic Development; Tax Credits; Taxation and Revenue
Type: Original
Date: May 6, 2008

Bill Summary: This proposal provides for tax incentives for business development.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(More than $382,413)	(More than $412,363)	(More than $424,736)
Total Estimated Net Effect on General Revenue Fund*	**(More than $382,413)**	**(More than $412,363)**	**(More than $424,736)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Blind Pension	(Unknown)	(Unknown)	(Unknown)
Various	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on Other State Funds*	**(UNKNOWN)**	**(UNKNOWN)**	**(UNKNOWN)**

*** The fiscal impact could be divided between the General Revenue Fund and the County Foreign Insurance Fund (which ultimately goes to local school districts) if some of the tax credits are utilized against insurance premium taxes.**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 23 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	7 FTE	7 FTE	7 FTE
Total Estimated Net Effect on FTE	**7 FTE**	**7 FTE**	**7 FTE**

☒ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government*	**(Unknown)**	**(More than $4,000,000)**	**(Unknown)**

*** The fiscal impact could be divided between the General Revenue Fund and the County Foreign Insurance Fund (which ultimately goes to local school districts) if some of the tax credits are utilized against insurance premium taxes.**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state the bill increases the caps on annual issuance of tax credits under the Enhanced Enterprise Zone (EEZ) from $14 million to $24 million and Missouri Quality Jobs (MQJ) Acts from $40 to $60 million plus extends the program to August 30, 2013. The bill makes a change to the Neighborhood Assistance Tax (NAP) credit program by permanently re-allocating credits. These program changes would require an FTE plus E&E to administer this increased activity. The DED would need a person to administer the Equity Investment Tax Credit Program. The bill also creates a sales tax exemption which will have no impact on DED. This exemption and the impact would have to be projected by DoR. Credit approval is at DED discretion and applications must show positive impact over a 10 year period to be approved. The bill has an emergency clause so changes would go into effect upon passage. Other changes should have no impact on DED.

DED is not able to project the impact of the sales tax exemption. The increase of $1.5 million to the Incubator Tax Credit will decrease GR by that amount and could be offset by some unknown positive benefits. The DED is unable to project the impact of the Equity Tax Credit. The credit could reduce GR by $5 million per year and this amount could be offset by some positive economic benefits to Missouri. DED statistics show that, over a 5 year period, creation and retention of 153 new professional/technical jobs would offset the GR cost of $5 million in tax credits issued in one year.

DED assumes a positive impact on GR resulting from increases to the Missouri Quality Jobs and Enhanced Enterprise Zone tax credit caps and extension of the MQJ program. DED assumes the re-allocation of a portion of the Neighborhood Assistance Tax Credit cap to the Development Tax Credit will have no fiscal or administrative impact on DED. DED assumes an increase of $1.5 million per year in the incubator tax credit. These changes will require one FTE plus E&E. The DED assumes the Equity Investment Tax Credit will require one person to administer. DED assumes the Equity Investment Tax Credit cost $5 million per year and positive economic benefits will offset costs by year three. DED assumes costs shown in FY 09 may be needed sooner and be requested through emergency appropriation if the bill goes into effect prior to July 1, 2008 (FY 09).

Over all costs would include two personnel and associated costs which are detailed in the financial page. These costs would be offset by an unknown but positive economic benefit to Missouri. EDC - DED assumes the need for an unknown amount of FTE (a minimum of one) to provide support to the 7 member council, issue loans and grants, and collect the fee authorized. Cost of one FTE with fringes and expenses is projected but could be more. DED also assumes collection of the fee from participants. DED assumes the Council will hold an unknown amount

ASSUMPTION (continued)

of meetings and incur additional printing/binding costs. Each meeting would be projected to cost $2,446 with a minimum of 6 meetings. Additional printing/binding would be estimated to be $10,000. DED assumes any fees taken in or funds appropriated would be used to assist with grants, loans, or other assistance.

Officials from the **Department of Revenue (DOR)** state Personal Tax would require one Tax Processing Technician I for every 4,000 claims for each of the following parts of the bill:

- Section 135.562 - Homestead - Accessible; and
- Section 135.670 - Idle Reduction Technology

The Customer Services Section would require the following for section 135.562 (Homestead - Accessible)

- one Tax Collection Tech. for every additional 24,000 contacts annually on the non-delinquent tax line;
- one Tax Collection Tech. for every 15,000 contacts annually on the delinquent tax line;
- One Revenue Processing Technician for every additional 4,800 contacts annually in the field offices

The Corporate Tax Section would also require one Revenue Processing Technician I for every 5,200 additional errors generated as well as 2,080 pieces of additional correspondence generated for the Angel Investors Program.

In summary, DOR assumes the need for seven (7) new FTE at a cost of roughly $280,000 per year to administer the changes in this proposal.

Due to the Statewide Information Technology Consolidation, DOR's response will now also reflect the cost estimates prepared by OA-IT for impact to the various systems. As a result, the impact shown may not be the same as previous fiscal notes submitted. In addition, if the legislation is Truly Agreed To and Finally Passed, the OA-IT costs shown will be requested through appropriations by OA-IT.

Office of Administration Information Technology (ITSD DOR) estimates the IT portion of this request can be accomplished within existing resources; however, if priorities shift, additional FTE/overtime would be needed to implement. Office of Administration Information Technology (ITSD DOR) estimates that this legislation could be implemented utilizing 2 existing CIT III for 2 months for modifications to MINITS. The estimated cost is $16,744.

ASSUMPTION (continued)

DOR also assumes the language added in Section 144.057 would not have a fiscal impact to the state as these munitions are already determined to be sales tax exempt based upon a letter ruling.

In response to a similar proposal from this year (HB 2058), DOR assumed the need for just one new FTE. This proposal has more changes and more tax credit programs; therefore, **Oversight** will assume DOR will be able to administer the programs in this proposal with three additional FTE.

Oversight has, for fiscal note purposes only, changed the starting salary for DED's Economic Development Incentive Specialist II and DOR's Tax Processing Tech I/Revenue Processing Tech I to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight also assumes neither the DED nor the DOR will incur additional floor space expense for their additional FTEs.

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposal modifies various tax credit programs. These changes may induce economic activity which may indirectly generate additional general and total state revenues. BAP defers to the Department of Economic Development for an estimate of any such revenues.

This proposal excludes sales to or by public utilities and telecom providers from local sales tax. BAP defers to the Department of Revenue for an estimate of any such revenues.

This proposal creates a tax credit for the purchase and installation of idle reduction technology. This program is capped at $10 million per fiscal year not to exceed a total of $20 million. This will reduce general and total state revenues by $10 million annually

This proposal modifies the Enhanced Enterprise Zone Tax Benefit Program by prohibiting taxpayers from simultaneously receiving a tax credit under this program and the Quality Jobs Program.

This proposal increases the annual cap on the Enhanced Enterprise Zone Program from $14 million to $24 million. This will reduce general and total state revenues by $10 million annually.

This proposal exempts from property tax property within an ultimate airport boundary. BAP defers to the State Tax Commission for an estimate of any such revenues.

ASSUMPTION (continued)

This proposal creates a property tax credit program for the maintenance of qualifying railroad rolling stock. The state shall reimburse local governments for lost revenues. BAP defers to the State Tax Commission for an estimate of any such revenues.

This proposal exempts from state and local sales and use taxes sales of radios designed for the primary purpose of receiving transmission of weather forecasts and warnings provided by the National Oceanic and Atmospheric Administrations. BAP defers to the Department of Revenue for an estimate of reduced revenues.

This proposal exempts from state and local sales and use taxes all personal property included on the United States munitions list that is sold to or purchased by a foreign government for a governmental purpose. This may reduce general and total state revenues. BAP defers to the Department of Revenue for an estimate of reduced revenues.

This proposal exempts from state and local sales and use tax all utilities including telecommunication services, machinery and equipment which is used or consumed in a business facility located in a portion of an underground mine used by a qualified company under Quality Jobs. BAP defers to Department of Revenue for an estimate of any such revenues.

This proposal creates $5 million in tax credits per year to encourage equity investment in technology-based early stage Missouri companies. Credits can be carried forward for up to three years or sold. This will reduce general and total state revenues by $5 million annually. It also allows the DED to charge administrative fees for issuing these tax credits. This could raise general and total state revenues by an unknown amount. BAP defers to the Department of Economic Development for an estimate of the increased revenues.

This proposal also changes the amount of tax credits allowed for qualified research expenses from $9,700,000 million to $10 million annually. This also removes language which prohibited DED from issuing these credits after January 1, 2005. This version grants the program an increase of $10 million. This will reduce general and total state revenues by $10 million annually.

This proposal modifies the Quality Jobs Program by removing the cap on the annual amount of tax credits issued. This will reduce general and total state revenues by an unknown amount. BAP defers to the DED for an estimate of any such revenues.

Officials from the **Department of Natural Resources (DNR)** state changes made in section 447.708 could result in changes in the number or locations of entities utilizing the tax credits, which could change the number of people enrolling in the Brownfield Voluntary Cleanup

ASSUMPTION (continued)

Program. DNR is unable to determine the number of sites that may enroll based on the changes in the tax credits. Oversight activities of these sites would be addressed with existing resources. DNR would not anticipate a direct fiscal impact from these provisions.

Beginning January 1, 2009, but not after January 1, 2015, section 144.030 would authorize a state and local sales and use tax exemption on materials, replacement parts, and equipment purchased for use directly upon, and for the modification, replacement, repair, and maintenance of aircraft, aircraft power plants, and aircraft accessories.

Section 144.057 would authorize a state and local sales and use tax exemption on all tangible personal property included on the United States munitions list, as provided in 22 CFR 121.1, sold to or purchased by any foreign government or agency or instrumentality of such foreign government which is used for a governmental purpose.

Section 144.058 would authorize a state and local sales and use tax exemption on purchases of electricity, gas, propane, water, telecommunications services, other utilities, machinery, and equipment for a person operating a business in a mine that is not used for mining if the mine contains at least one million square feet of space for business use.

DNR's Parks and Soils Tax Fund is derived from one-tenth of one percent sales and use tax pursuant to Section 47(a) of the Missouri Constitution. Therefore, any additional sales and use tax exemption would be an unknown loss to the Parks and Sales Tax Fund.

In response to a previous version of this proposal, officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** stated it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted tax credits each year.

In response to a previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** assumed many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $2,500. The Secretary of State's office recognizes that this is a small amount

ASSUMPTION (continued)

and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Regarding changing the sunset date of tax credits for job retention projects authorized under the Missouri Quality Jobs Act from 2007 to 2013, **Oversight** assumes there would be no net fiscal impact as the credit would be issued under one program or another and with other changes in the bill, the program now has no annual cap.

Oversight assumes that without the changes to Section 32.105, the Development Tax Credit program's annual limit would return from $6 million a year to $4 million a year. However, also without this proposal, the Neighborhood Assistance Program would revert from its cap of $16 million in FY 2007, to $18 million in FY 2009. Therefore, based upon the reallocation of the $32 million of tax credits within Section 32.105, Oversight will reflect a potential loss of $2 million annually from the DTC, and an offsetting $2 million savings from the NAP.

Oversight assumes the proposal removes the Brownfield 'Demolition' tax credit and incorporates it into the Brownfield 'Remediation' tax credit. According to DED's Tax Credit Analysis page, the issuances for the demolition tax credit in the past three years has been $0 in FY 2005, $37,500 in FY 2006 and $0 again in FY 2007. Therefore, Oversight will not assume any savings will be realized from the removal of this program. Oversight will utilize DED's estimate of no impact for the changes to the Brownfield Remediation since the program is discretionary. Oversight already reflected a $0 to Unknown cost for this program since there is no annual limit and that analysis is still appropriate. Oversight assumes the changes made in this substitute may increase the utilization of the program, but that is at the discretion of the Department of Economic Development.

According to the **Department of Revenue**, the addition of Section 144.057 (sales tax exemption on munitions) would have no fiscal impact on the state. DOR stated this exemption is already in place with a letter ruling, and this section simply adds the language to statutes. Therefore, **Oversight** will not assume a loss of revenue from this section.

Oversight compared the total tax credit issuances relative to the total tax credit redemptions for the previous three years in order to determine a relationship between the two. Oversight discovered that the annual redemptions ranged from 79 percent to 118 percent of the annual issuances. Depending on the program, the redeemed credits may have been issued several years

ASSUMPTION (continued)

prior and carried forward to the years studied; however, Oversight will utilize an estimated redemption total of 98.5 percent of tax credits issued.

Oversight will range the fiscal impact of the programs from $0 (no additional tax credits will be issued) to the change in annual limits. Oversight assumes there would be some positive economic benefit to the state as a result of the changes in this proposal; however, Oversight considers these benefits to be indirect and therefore, have not reflected them in the fiscal note.

The **City of St. Louis** did not respond to our request for fiscal impact.

Possessor interest in property in or on ultimate airport boundary;

In response to a similar proposal from this year (HCS for HB 1836), officials from the **State Tax Commission** (TAX) assumed this proposal would have no fiscal impact on their organization. TAX officials stated that the proposal would nullify the assessment of this type of property, and could have a fiscal impact to local governments. TAX officials were not able to provide an estimate of the number or current assessed valuation of eligible properties.

Oversight assumes that this part of the amendment could apply to certain leased real property which is on or adjacent to a commercial airport and owned by a political subdivision. The proposal would specify a method for determining the assessed valuation for tax purposes of such properties. Oversight assumes the assessed valuation of such properties would be reduced if this proposal was implemented. The proposal would become effective after 2008 taxes are determined and would become effective for 2009 taxes in FY 2010. Accordingly, Oversight concludes that the fiscal impact to local governments and the Blind Pension Fund for years after FY 2009 is unknown.

Property Tax Credit for Rolling Stock Expenditures

Officials from the **State Tax Commission (TAX)** state this part of the amendment creates a tax credit for a freight line company's ad valorem property tax. TAX assumes that only those freight line companies that are defined by Section 137.1003. (4) RSMo will be eligible for the tax credit.

There are approximately 345 freight line companies that could qualify for this credit. In calendar year 2006, the amount of freight line ad valorem property tax was $3.5 million dollars and in calendar year 2007, the amount of freight line ad valorem property tax was $4.1 million dollars.

TAX assumes that in calendar year 2008 and the subsequent following years the amount of taxes would be approximately $4 million dollars. If we assume that each of these companies will have

ASSUMPTION (continued)

significant eligible expenses to off-set the total amount of tax due, the State of Missouri will be required to annually reimburse the local political subdivision approximately $4 million dollars. This credit is effective on January 1, 2009 with the property taxes collected in FY 2010.

Oversight will use the State Tax Commission estimate of tax credits allowable and the reimbursement due to political subdivisions. The reimbursement for local revenues lost would be known in FY 2010, and appropriated and paid in FY 2011.

Section 135.155 - New or Expanded Business Facility;

Oversight assumes the changes made to the New or Expanded Business Facility program may increase the utilization of the program. The program is an entitlement program and does not have an annual cap. Therefore, Oversight assumes this part of the proposal may increase the amount of tax credits issued under the program by an unknown amount. Oversight will range the fiscal impact from this part of the proposal from $0 to (Unknown).

Sections 135.535 & 135.562 - Rebuilding Communities & Disabled Access Tax Credit;

Officials from the **Department of Social Services (DOSS)** assume this bill contains a number of tax incentives for business development. The only individual or "social" tax credit in the bill is the Accessible Home Tax Credit. This bill expands that tax credit to seniors (age 65 and older), as well as disabled persons. It also modifies the list of items for which the credit may be claimed to include constructing additional rooms in the dwelling or structures on the property for the purpose of accommodating the senior or person with a disability. The Department of Revenue, in consultation with the Department of Social Services, may promulgate rules and regulations necessary to administer this tax credit. Otherwise DOSS has no role in the administration of this tax credit.

DOSS assumes the proposal would not fiscally impact their agency.

Oversight assumes this part of the proposal would earmark any unused Rebuilding Communities Program tax credits ($8 million annual cap per DED) to the new Accessible Home Tax Credit program. According to DED's Tax Credit Analysis, the amount of tax credits issued under the Rebuilding Communities program was $1.7 million in FYs 2005, 2006, and 2007. DED's projection for FY 2008 and FY 2009 are for issuances of $1.75 million each year. Therefore, with an $8 million annual cap, this proposal could increase tax credit issuances by $6.2 million ($8 million annual cap - $1.7 million current utilization - $100,000 current transfer to Section 135.562).

ASSUMPTION (continued)

For budgeting purposes, Oversight assumes this part of the proposal could reduce Total State Revenues by $6.2 million each year. However, since **Oversight** has already reflected the potential loss of the Rebuilding Communities tax credit program of up to annual limit, Oversight will assume this proposal does not increase the annual limit (of $8 million), and therefore, the fiscal impact of the proposal has already been reflected in a prior fiscal note. Therefore, even though this part of the proposal will increase utilization of the tax credit program, Oversight will not reflect an additional loss of revenue to the General Revenue Fund.

Section 144.030 - Sales tax exemption for aircraft materials, parts and equipment;

Oversight assumes this part of the proposal would have an unknown negative impact to the General Revenue Fund, the Conservation Commission Fund, the Parks Fund, the Soils and Waters Fund, and to local governments.

Section 348.434 - Agriculture Product Utilization & New Generation Coop. tax credits.

Officials from the **Department of Agriculture (AGR)** state this legislation will help insure the Missouri Value-Added Grants are available each year which in turn will help keep the value-added momentum going and add economic viability to Missouri's rural communities. In addition, the legislation will provide additional tax credits to at-risk farmers/producers investing in value-added ventures. AGR assumes a cost of $4 million from the increase in tax credits.

Oversight will reflect the potential of $4 million additional tax credits to be issued under this part of the proposal since the annual cap is increased from $6 million to $10 million. The programs have a sunset of December 31, 2010. This proposal extends the sunset to December 31, 2016. Oversight assumes the state would have realized a savings from no credits issued on or after January 1, 2011; however this extension of the sunset would move that savings to 2017. Credits now issued in calendar 2011 may be redeemed in FY 2012, which is beyond the scope of this fiscal note.

Section 407.1240 & 407.1249 - Travel Club Benefits;

In response to a similar proposal from this year (HB 2433), officials from the **Department of Economic Development - Tourism** assumed the proposal would not fiscally impact their agency.

Officials from the **Office of the Attorney General** did not respond to our request for fiscal impact. However, **Oversight** assumes this part of the proposal would not create a fiscal impact to state government.

ASSUMPTION (continued)

Section 620.050 - Entrepreneurial Development Council;

In response to a similar proposal from this year (SB 1244), officials from the **Department of Economic Development (DED)** assumed the need for an unknown amount of FTE (a minimum of one) to provide support to the 7 member council, issue loans and grants, and collect the fee authorized. Cost of one FTE with fringes and expenses would be estimated at $80,000. DED also assumes collection of the fee from participants. DED assumes the Council will hold an unknown amount of meetings and incur additional printing/binding costs. Each meeting would be projected to cost $1,958 with a minimum of 6 meetings = $11,748. Additional printing/binding would be estimated to be $8,500. Minimum cost would be a little over $100,000. DED assumes any fees taken in or funds appropriated would be used to assist with grants, loans, or other assistance.

This council 'may' impose a registration fee for entrepreneurs who desire to avail themselves of benefits. Therefore, **Oversight** will assume a range of $0 to Unknown (may or may not) amount of registration fees to be collected into the new fund. Oversight will also show a $0 to Unknown expense out of the fund for potential grants and financial assistance for entrepreneurs. Oversight will assume all proceeds (if any) into the fund will be spent in the same year.

Section 620.1220 - Missouri Film Commission:

Oversight assumes this part of the proposal is permits the Missouri Film Commission to have its offices outside of Jefferson City, and by itself will not fiscally impact the Department of Economic Development.

Officials from the **Office of the State Treasurer** assume the proposal will not fiscally impact their agency.

Officials from **Kansas City** and **Platte County** did not respond to our request for fiscal impact.

This proposal could reduce Total State Revenues.

FISCAL IMPACT - State Government	FY 2009 (10 Mo)	FY 2010	FY 2011
GENERAL REVENUE FUND			
Savings - Neighborhood Assistance Program, cap reallocated from $18 million to $16 million annually (32.105)	$0 to $2,000,000	$0 to $2,000,000	$0 to $2,000,000
Loss - Development Tax Credit program, cap reallocated from $4 million to $6 million (32.105)	$0 to ($2,000,000)	$0 to ($2,000,000)	$0 to ($2,000,000)
Savings - Rebuilding Communities tax credit program Section 135.535 (to new program)	$0 to $6,200,000	$0 to $6,200,000	$0 to $6,200,000
Loss - tax credit for making all or portion of dwellings accessible to an individual with a disability - Section 135.562	$0 to ($6,200,000)	$0 to ($6,200,000)	$0 to ($6,200,000)
Loss - potential increase in tax credits issued under the New and Expanded Business Facility Credit - Section 135.155	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Cost - Department of Revenue Tax credit for adoption of idle reduction technology on class 8 trucks (Section 135.670)	($0 to $10,000,000)	($0 to $10,000,000)	$0
Loss - increase in tax credits under Enhanced Enterprise Zone program from $14 million to $24 million annually (135.967)	$0 to ($10,000,000)	$0 to ($10,000,000)	$0 to ($10,000,000)
Loss - reimbursement of local tax reductions from qualified rolling stock (Section 137.1018)	$0	$0	$0 to ($4,000,000)
Loss - Sales tax exemption for weather radios- Section 144.030	(Unknown)	(Unknown)	(Unknown)

FISCAL IMPACT - State Government (continued)	FY 2009 (10 Mo)	FY 2010	FY 2011
Loss - Sales tax exemption for utilities used in a business facility located in a mine- Section 144.058	(Unknown)	(Unknown)	(Unknown)
Loss - tax credits for equity investments into technology-based early state Missouri companies (348.274)	$0 to ($5,000,000)	$0 to ($5,000,000)	$0 to ($5,000,000)
Loss - increase in tax credits for the Agriculture Product Utilization & New Generation Cooperative from $6 million to $10 million (Section 348.434)	$0 to ($4,000,000)	$0 to ($4,000,000)	$0 to ($4,000,000)
Loss - increase in tax credits under the Small Business Incubator program from $500,000 to $2 million (620.495)	$0 to ($1,500,000)	$0 to ($1,500,000)	$0 to ($1,500,000)
Loss - Qualified Research Tax Credit - currently cumulative cap exhausted, changing to a $10 million annual cap (Section 620.1039)	$0 to ($10,000,000)	$0 to ($10,000,000)	$0 to ($10,000,000)
Loss - removal of cap of $40 million in tax credits under Quality Jobs program (Section 620.1881)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Costs - Department of Economic Development			
Personal Service (4 FTE)	($129,217)	($159,712)	($164,504)
Fringe Benefits	($57,140)	($70,624)	($72,744)
Expense and Equipment	($71,268)	($53,984)	($55,604)
Meeting, printing and binding	($20,563)	($25,416)	($26,179)
ITSD Hours	($5,003)	$0	$0
Total Costs - DED	($283,191)	($309,736)	($319,031)
FTE Change - DED	4 FTE	4 FTE	4 FTE

FISCAL IMPACT - State Government (continued)	FY 2009 (10 Mo)	FY 2010	FY 2011
Costs - Department of Revenue			
Personal Service (3 FTE)	($56,703)	($70,083)	($72,186)
Fringe Benefits	($25,074)	($30,990)	($31,920)
Expense and Equipment	($17,445)	($1,554)	($1,599)
Total Costs - DOR	($99,222)	($102,627)	($105,705)
FTE Change - DOR	3 FTE	3 FTE	3 FTE
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	**(More than $382,413)**	**(More than $412,363)**	**(More than $424,736)**
Estimated Net FTE Change for General Revenue Fund	7 FTE	7 FTE	7 FTE

Note: This does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

BLIND PENSION FUND			
Revenue reduction - property taxes (from Section 137.115)	$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO THE BLIND PENSION FUND	**$0**	**(Unknown)**	**(Unknown)**

FISCAL IMPACT - State Government (continued)	FY 2009 (10 Mo)	FY 2010	FY 2011
VARIOUS STATE FUNDS			
Loss - to State School Moneys fund, Parks and Soils fund and Conservation Fund - sales tax exemption on weather radios (Section 144.030)	(Unknown)	(Unknown)	(Unknown)
Loss - to State School Moneys fund, Parks and Soils fund and Conservation Fund - sales tax exemption for utilities used in a business facility located in a mine (Section 144.058)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS	**(Unknown)**	**(Unknown)**	**(Unknown)**
ENTREPRENEURIAL DEVELOPMENT AND INTELLECTUAL PROPERTY RIGHT PROTECTION FUND			
Income - new council may impose a registration fee for entrepreneurs (Section 620.050)	$0 to Unknown	$0 to Unknown	$0 to Unknown
Costs - potential benefits spent on entrepreneurs (Section 620.050)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT TO THE ENTREPRENEURIAL DEVELOPMENT AND INTELLECTUAL PROPERTY RIGHT PROTECTION FUND	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2009 (10 Mo.)	FY 2010	FY 2011
LOCAL GOVERNMENTS			
Reimbursement - for revenue reduction (from State for Section 137.1018)	$0	$0	$4,000,000
Revenue reduction - tax credits (from Section 137.1018)	$0	($4,000,000)	($4,000,000)
Revenue reduction - property taxes (from Section 137.115)	$0	(Unknown)	(Unknown)
Revenue Reduction - to certain local political subdivisions- sales tax exemption on weather radios (Section 144.030)	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction - to certain local political subdivisions - sales tax exemption for utilities used in a business facility located in a mine- Section 144.058	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	**(Unknown)**	**(More than $4,000,000)**	**(Unknown)**

FISCAL IMPACT - Small Business

Small businesses that qualify for the various programs changed or enacted by this proposal may be positively fiscally impacted as a result of this proposal.

FISCAL DESCRIPTION

This act increases the annual cap on the amount of tax credits the Department of Economic Development may authorize for the Enhanced Enterprise Zone Program from fourteen million dollars to twenty-four million dollars. The fiscal year cap on economic development tax credits that are approved as part of the Neighborhood Assistance Program is increased from four million dollars to six million dollars.

FISCAL DESCRIPTION (continued)

The act requires municipalities to disclose to any land owner whose property is acquired that such land is being acquired for a TIF project. It also requires municipalities to disburse all surplus funds from the special allocation fund to each taxing district in the manner described in law, whether by statute or by contract. The provision providing for any municipality in a county under the authority of the East-West Gateway Council of Governments to create a TIF commission in the same manner as the creation of a TIF commission in St. Louis County is repealed. The provision requiring any city, town, or village under the authority of such Council to obtain permission of the county TIF commission is also repealed.

Beginning August 28, 2008, any city, town, or village in St. Louis County, St. Charles County, or Jefferson County shall, prior to adoption of an ordinance approving the designation of a redevelopment area or approving a redevelopment plan/project, create a commission of twelve people. Six members shall be appointed by the county executive or presiding commissioner, three members shall be appointed by the cities, towns, and villages in the county which have TIF districts, two members shall be appointed by the school boards in the county, and one member shall represent all other taxing districts in the proposed redevelopment area and be appointed in a manner agreed upon by all such districts. A city, town, or village that creates such a commission must send notice to the county executive or presiding commissioner, school districts, and other taxing districts.

Any commission created by a city, town, or village in such counties shall, within 15 days of receiving a redevelopment plan and a request by the applicable city, town, or village, fix a time and place for the required public hearing. The hearing shall be held no later than 75 days from the commission receiving the plan and request. The commission shall vote and make recommendations to the governing body of the city, town, or village requesting the hearing within 30 days after the hearing. If the commission fails to vote within 30 days, the plan will be deemed rejected.

Section 99.825 is currently doubly-enacted, so one version of the section is repealed. Any public hearing of a commission created by a city, town, or village in St. Louis County, St. Charles County, or Jefferson County shall not be continued for more than thirty days unless requested by the chief elected official of the municipality creating the commission and approved by the majority of the commission.

Changes may be made to the redevelopment plan without further hearing provided there is no enlargement of the boundaries of the redevelopment area, substantial effect on the general land use, change in the nature of the redevelopment project, or increase in the total redevelopment costs approved by the commission to be paid by TIF, excluding interest and finance costs, by more than 10% and notice of such changes is given to each affected taxing district by mail and

FISCAL DESCRIPTION (continued)

publication in the newspaper.

After adoption of an ordinance approving a redevelopment plan, alterations to the plan may be made provided they do not: enlarge the boundaries of the redevelopment area, substantially affect the general land use, change the nature of the redevelopment project, or increase the total redevelopment costs approved by the commission to be paid by TIF, excluding interest and finance costs, by more than 10% may be adopted.

The act permits the Department of Economic Development to authorize up to five million dollars in tax credits per year to encourage equity investment in technology-based early stage Missouri companies, commonly referred to as angel investments. Investors who contribute the first five hundred thousand dollars in equity investment to a qualified Missouri business may be issued a tax credit equal to thirty percent of the investment or forty percent if the qualified business is in a rural area or distressed community. An investor can receive a credit of up to fifty thousand dollars for an investment in a single qualified business and up to one hundred thousand dollars for investments in more than one qualified business per year. Credits can be carried forward for up to three years or sold.

The aggregate cap on the amount of tax credits the department of economic development may authorize for the Small Business Incubators Program is increased from five hundred thousand dollars to two million dollars. The act places certain reporting requirements on small business incubators and the department of economic development. Currently, some demolition activities associated with Brownfield redevelopment are separate from remediation activities. The act specifies that all demolition activities are part of remediation and allows remediation tax credits to include up to one hundred percent of demolition costs that are not directly part of the remediation, but which are necessary to accomplish the planned use of the facility. Demolition may occur on adjacent property that independently qualifies as abandoned or underutilized and is located in a municipality with fewer than 20,000 residents.

The act allows community improvement districts (CID) to exist in special business districts within the City of St. Louis. Currently, any CID in St. Louis which is also in a special business district cannot levy a CID sales tax unless special assessments imposed on real property or businesses within the special business district are repealed. Sales by public utilities and providers of communications, cable, or video services will be exempt from the CID sales tax.

An existing headquarters may receive tax credits for new or expanded business facilities for expansions done before January 1, 2018. At least twenty-five new employees and at least one million dollars in new investment must be attributed to the expansion. Buildings on multiple, non-contiguous property will be considered one facility if the buildings are within five miles of

FISCAL DESCRIPTION (continued)

each other.

The act creates an income tax credit equal to fifty percent of the amount a taxpayer paid to purchase and install idle reduction technology on a class 8 truck. The maximum amount of the tax credit is $3,500 per truck. The tax credit is nontransferable and nonrefundable, but may be carried forward up to three years until completely claimed. No more than ten million dollars in tax credits may be issued annually and no more than twenty million dollars in tax credits may be issued throughout the life of the program. The provisions of the act automatically sunset two years after August 28, 2008, unless reauthorized.

The director of the Department of Economic Development is authorized to issue letter rulings regarding the New Markets Tax Credit Program. The letter rulings are binding in a court of law and must be issued within sixty days of a request. The department can refuse to issue the letter ruling for good cause, but must explain the reason for refusal. Letter rulings are closed to the public, however information can be released as long as anything which would identify the applicant or is otherwise protected is redacted.

Any applicant for state tax credits who purposely and directly employs unauthorized aliens must forfeit any tax credits issued to such applicant which have not been redeemed, and any tax credits redeemed by such applicant will be recaptured for the period of time in which the applicant employed unauthorized aliens. Under current law, up to one hundred thousand dollars in tax credits from the Rebuilding Communities Tax Credit Program can be issued to taxpayers who modify their home to be accessible for a disabled individual who resides with the taxpayer. This act allows all unused tax credits from the Rebuilding Communities Tax Credit Program to be used by taxpayers who modify their homes for this purpose. The terms "disability" and "senior" are defined for purposes of the tax credit for home modification for disabled persons.

The act specifies that the true value in money for property tax assessment purposes of any possessor interest in real property located on or within the ultimate airport boundary shown by a federal airport layout plan of the Kansas City International Airport will be the true value in money of the possessor interest in the real property less the total costs paid toward any new construction or improvements completed on the property after January 1, 2008, if included in the possessor interest, unless paid by the political subdivision, regardless of the year the costs were incurred. The act authorizes a property tax credit, beginning January 1, 2009, for expenses incurred to manufacture, maintain, or improve a freight line company's qualified rolling stock up to the amount of its tax liability. The state will annually reimburse a political subdivision for any loss in revenue.

FISCAL DESCRIPTION (continued)

The act exempts from state and local sales and use tax sales of weather radios. Sales of certain utilities and machinery and equipment, which are used or consumed in a business facility located in a portion of an underground mine that contains at least one million square feet of space, provided such business has been approved as a qualified company under the Quality Jobs Program, are also exempted from state and local sales and use tax. An exemption from state and local sales and use tax is created for all tangible personal property included on the United States munitions list which is sold to or purchased by a foreign government for a governmental purpose. Currently, this exemption is granted by the Department of Revenue through a letter ruling.

The aggregate amount of tax credits that may be issued per fiscal year for the Agricultural Product Utilization Contributor tax credit and the New Generation Cooperative Incentive tax credit are increased from six million dollars to ten million dollars.

The Missouri Agricultural and Small Business Development Authority is allowed to issue up to one million dollars in Agricultural Product Utilization tax credits in any fiscal year to individuals contributing cash funds to the Authority. The Authority may issue additional Agricultural Product Utilization tax credits under certain circumstances. Currently, both tax credit programs are scheduled to expire on December 31, 2010. The act extends the expiration date until December 31, 2016.

For purposes of Urban Redevelopment Corporations Law, the proposal makes any earnings limitation, imposed on any purchaser that is not an urban redevelopment corporation or life insurance company operating as an urban redevelopment corporation, void.

The act specifies that any use of travel club membership benefits during the three-day rescission period of the membership contract will not effectively waive the member's right to rescind the contract.

The act creates the entrepreneurial development council within the Department of Economic Development. The council will consist of seven board members from business and legal experts in the area of intellectual property. The council may impose a registration fee for entrepreneurs wishing to receive council benefits. The act creates the entrepreneurial development and intellectual property right protection fund to receive appropriations, grants, gifts and bequests. The council has the authority to allocate moneys from the fund to provide financial assistance for legal actions instituted by registered entrepreneurs alleging infringement of their intellectual property rights. The council may also allocate moneys from the fund to registered entrepreneurs for financial assistance for the development, manufacture and advertising of new products.

FISCAL DESCRIPTION (continued)

The Qualified Research Expense tax credit is limited to research expenses incurred in the research and development of agricultural/biotechnology and plant genome products, and prescription pharmaceuticals consumed by humans or animals. The act modifies the time-line for application and issuance of tax credits under the program. Under current law, no qualified research expense tax credits may be approved, awarded or issued after January 1, 2005. This act removes the prohibition on approval and issuance of tax credits and increases the cap from a cumulative nine million seven hundred thousand to an annual ten million dollars. In the event the amount of claims for tax credits exceed the annual cap, the act provides a method for pro rating issuance of tax credits.

Currently, the Department of Economic Development cannot issue more than forty million dollars in tax credits annually under the Quality Jobs Act. The act removes cap on the annual issuance of tax credits. Under current law, tax credits for job retention projects are only authorized through August 30, 2007. The act extends the authorization to August 30, 2013. Under the Quality Jobs Act, a project facility may include separate buildings if they are located within one mile of each other. The act allows a project facility to include separate buildings within the same county. Companies which lease or own facilities that produce electricity derived from qualified renewable energy sources, or which produce fuel for the generation of electricity from qualified renewable energy sources are allowed to participate in the quality jobs program as a technology business project if all other requirements of the program are met. Qualified renewable energy sources include open-looped biomass, close-looped biomass, solar, wind, geothermal, and hydropower but not ethanol distillation or production or biodiesel production.

The proposal has an emergency clause for Section 620.495 (Small Business Incubator) only.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Revenue
Office of Administration - Budget and Planning
Department of Insurance, Financial Institutions and Professional Registration
Department of Natural Resources
State Tax Commission
Office of the Secretary of State
Department of Social Services
Department of Agriculture

SOURCES OF INFORMATION

Office of the State Treasurer

NOT RESPONDING:
Office of the Attorney General
City of St. Louis
City of Kansas City
Platte County

Mickey Wilson, CPA
Director
May 6, 2008