

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5016-01  
Bill No.: HB 2215  
Subject: Economic Development; Tax Credits  
Type: Original  
Date: April 15, 2008

---

Bill Summary: This proposal increases the annual tax credits issued for the Missouri Quality Jobs Act from forty million dollars to sixty million dollars.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	\$0 to (\$20,000,000)	\$0 to (\$20,000,000)	\$0 to (\$20,000,000)
<b>Total Estimated Net Effect on General Revenue Fund*</b>	<b>\$0 to (\$20,000,000)</b>	<b>\$0 to (\$20,000,000)</b>	<b>\$0 to (\$20,000,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Total Estimated Net Effect on <u>Other</u> State Funds*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* 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 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ 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
<b>Local Government*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**\* 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 **Office of Administration - Budget and Planning (BAP)** state the proposal increases the annual cap on the Quality Jobs program from \$40 million to \$60 million. This proposal may reduce general and total state revenues by \$20 million annually. However, this proposal may induce economic activity which will generate revenues offsetting some of the costs. DED may have an estimate of such revenues.

Officials from the **Department of Revenue** assume the proposal would not fiscally impact their agency.

Officials from the **Department of Economic Development (DED)** state the bill increases the cap on annual issuance of tax credits under the Missouri Quality Jobs (MQJ) Acts from \$40 to \$60 million. DED projections show the MQJ cap increase of \$20 million will generate \$11.39 per year in Net General Revenue for every \$1 dollar of the tax credits returns: This would amount to \$22.78 million per year increase to GR.

DED assumes no current need for new personnel or funding to support the cap increase.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state 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.

**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 prior and carried forward to the years studied; however, Oversight will utilize an estimated redemption total of 98.5 percent of tax credits issued. Therefore, under this proposal, if an additional \$20,000,000 of credits are issued, Oversight would assume \$19,700,000 of credits to be redeemed, reducing Total State Revenues

ASSUMPTION (continued)

**Oversight** will range the fiscal impact of the change to the Quality Jobs program 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.

**This proposal could reduce Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
<b>GENERAL REVENUE</b>			
<u>Loss</u> - increase in annual cap on the Missouri Quality Jobs Act from \$40 million to \$60 million	\$0 to <u>(\$20,000,000)</u>	\$0 to <u>(\$20,000,000)</u>	\$0 to <u>(\$20,000,000)</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b>\$0 to <u>(\$20,000,000)</u></b>	<b>\$0 to <u>(\$20,000,000)</u></b>	<b>\$0 to <u>(\$20,000,000)</u></b>

**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.**

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>

FISCAL IMPACT - Small Business

Small businesses that may qualify under the Missouri Quality Jobs program may be positively fiscally impacted as a result of this proposal.

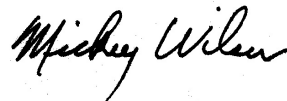
### FISCAL DESCRIPTION

This bill increases the annual cap on the amount of tax credits the Department of Economic Development may issue for the Quality Jobs Program from \$40 million to \$60 million.

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



Mickey Wilson, CPA  
Director  
April 15, 2008