HCS HB 191 -- JOB DEVELOPMENT

SPONSOR: Flook

COMMITTEE ACTION: Voted "do pass" by the Committee on Job Creation and Economic Development by a vote of 14 to 0.

This substitute changes the laws regarding several economic development programs and establishes the Small Business and Entrepreneurial Growth Act.

TAX CREDITS AND EXEMPTIONS

The substitute:

(1) Allows business headquarters to receive tax credits for new or expanding businesses. Expansions at headquarter facilities will be considered separate business facilities and entitled to the credits if at least 25 new employees and at least $1 million of new investment are attributed to the expansion. Buildings on multiple noncontiguous properties will be considered one facility if they are in the same county. No headquarters will receive the credits for facilities commencing or expanding operations after January 1, 2020;

(2) Authorizes, beginning January 1, 2010, a state and local sales tax exemption for all electrical energy, gas, other utilities including telecommunications services, and machinery or equipment used in a business that is engaged in data processing, hosting, Internet publishing and broadcasting, and web search portals. The business must be located in an underground mine that is at least two million square feet. The business cannot receive these exemptions and simultaneously receive benefits from the Quality Jobs Program;

(3) Authorizes the Department of Economic Development to allocate up to $5 million in tax credits per year to encourage equity investment in technology-based early stage Missouri companies, commonly known as angel investments. Investors who contribute the first $500,000 in equity investment to a qualified Missouri business may be issued a tax credit equal to 30% of the investment or 40% if the qualified business is in a rural area or distressed community. An investor can receive a credit of up to $50,000 for an investment in a single, qualified business or up to $100,000 for investments in more than one qualified business per year. Credits can be carried forward for up to three years or transferred;

(4) Revises the definition of "technology business project" as it relates to the Missouri Quality Jobs Act to include certain

clinical molecular diagnostic laboratories;

(5) Specifies that if the department fails to respond within 30 days to a Quality Jobs Program applicant's notice of intent, the notice is deemed a disapproval. Currently, the notice is deemed an approval if the department fails to respond within 30 days;

(6) Specifies how the department must apply certain definitions when a business that has already received an approved notice of intent later files another notice of intent;

(7) Eliminates the per-company annual cap on technology business projects. Currently, the cap is $500,000 per business, per year;

(8) Eliminates the per-company annual cap on high-impact projects. Currently, the cap is $750,000 per company, per year; and

(9) Eliminates the annual cap on the Quality Jobs Program. Currently, the annual cap is $60 million.

SMALL BUSINESS AND ENTRPRENEURIAL GROWTH ACT

The substitute establishes the Small Business and Entrepreneurial Growth Act which, beginning January 1, 2010, allows small business employers who increase their total payroll by increasing the number of jobs and meeting certain qualifications to retain the Missouri withholding tax from the salaries of the newly created jobs for one year. If the employer pays at least 50% of the cost of the premiums for health insurance for all employees, the withholding tax can be retained for two years. No employer retaining these withholding taxes will be eligible for the benefits under the Quality Jobs Act.

QUALIFIED EQUITY INVESTMENT (NEW MARKETS) TAX CREDIT

Currently, no qualified equity investments can be made under the New Markets Tax Credit Program beyond Fiscal Year 2010. The substitute extends the date through FY 2012 and increases the program's tax credit cap from $15 million to $27.5 million per fiscal year.

QUALIFIED RESEARCH EXPENSES (RESEARCH AND DEVELOPMENT) TAX CREDIT

Currently, no tax credits for qualified research expenses can be approved, awarded, or issued. The substitute removes these restrictions and allows a tax credit equal to no more than 6.5% of a taxpayer's qualified research expenses. The annual aggregate cap on the amount of these tax credits that can be authorized by the department is $10 million.

Qualified research expenses will be limited to those incurred in the research and development of agricultural biotechnology, plant genomics products, diagnostic and therapeutic medical devices, and prescription pharmaceuticals consumed by humans or animals. Expenses incurred in the research, development, or manufacturing of power system technology for aerospace, space, defense, or implantable or wearable medical devices are also permitted.

The department director may allow a taxpayer to transfer up to 40% of the tax credits issued, but not yet claimed, between January 1, 2010, and December 31, 2016. The substitute requires that the department director act between August 1 and August 15 on tax credit applications filed between January 1 and July 1 for claims from the previous year.

The formula is specified by which tax credits will be issued if the eligible claims for the credits exceed the annual cap. No one taxpayer can be issued more than 30% of the total amount of tax credits authorized in any calendar year.

SCIENCE, TECHNOLOGY, BUSINESS, AND EDUCATION DISTRICTS

The substitute allows the governing body of a municipality to establish a science, technology, business, and education district (STBE). STBE projects may be implemented in the district according to an STBE plan. The district, plan, and project must be established or adopted by ordinances, and the substitute specifies the requirements of an STBE plan and the findings a municipality must make before adopting an STBE plan.

Following a municipality's establishment of an STBE district and adoption of an STBE plan and one or more STBE projects, the targeted industry cluster state (TICS) revenues estimated for the businesses within the STBE district will be available for appropriation by the General Assembly from the General Revenue Fund to the department for distribution to the treasurer of the municipality. Municipalities cannot commit any TICS revenues prior to an appropriation being made from the General Revenue Fund to the department for a particular STBE project. The municipality's treasurer will deposit the TICS revenues into a segregated fund known as an STBE Projects Financing Fund. The State Treasurer will be the custodian of the fund and may approve disbursements. The initial appropriation or disbursement will not be made until the department director has approved an STBE plan and projects.

The substitute specifies that "targeted industry cluster state revenues" means:

(1) Fifty percent of the incremental increase in the general

revenue portion of eligible state sales tax revenues received under Section 144.020, RSMo. Sales tax revenue attributable to retail sales will only be included in this amount if it can be proven that the sales tax revenue is attributable to new sources which did not exist in the state in the baseline year; and

(2) The state income tax withheld on behalf of new employees by the employers at the businesses located within the STBE project.

The substitute requires the department director to approve an STBE plan and projects if certain specified findings are made. The initial appropriation of TICS revenues will not be made until the department director, or his or her designee, finds that:

(1) The STBE project will be completed and its obligations paid within 25 years from the adoption of the municipal ordinance;

(2) TICS revenues do not exceed 50% of the total STBE project costs;

(3) Municipal funding will provide funds for the STBE project that equal at least 10% of the STBE's eligible project costs. These funds must be available within 10 years following the establishment of the STBE district;

(4) At least one higher education institution has committed to having a significant physical presence in the STBE district and plans to offer educational resources in the STBE district such as classrooms, curriculum, dedicated faculty, graduate students, and defined partnerships with target industry clusters; and

(5) The STBE plan and projects are financially feasible and will result in a net benefit to the state.

Revenues will only be used to pay for specified eligible STBE project costs. The municipality is required to submit an annual report to the department which includes certain specified information.

FISCAL NOTE: Estimated Cost on General Revenue Fund of $312,113 to Unknown in FY 2010, $340,439 to Unknown in FY 2011, and $350,654 to Unknown in FY 2012. Estimated Cost on Other State Funds of Unknown in FY 2010, FY 2011, and FY 2012.

PROPONENTS: Supporters say that eliminating the cap on the Quality Jobs Program will help Missouri create new jobs and stimulate economic development throughout the state.

Testifying for the bill were Representative Flook; Associated Industries of Missouri; Taxpayers Research Institute of Missouri;

Lee Langerock, Nodaway County Economic Development; David Leezer, St. Louis County Economic Council; Advantage Capital Partners; Missouri Chamber of Commerce and Industry; Missouri Growth Association; Missouri Biotechnology Association; St. Louis Regional Chamber and Growth Association; St. Louis Community College; Missouri Community Colleges Association; Greater Kansas City Chamber of Commerce; Montgomery City Growth, Incorporated; and Burns and McDonnell Engineering.

OPPONENTS: There was no opposition voiced to the committee.