COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5457-01
Bill No.: HB 2399
Subject: Tax Credits; Economic Development Department
Type: Original
Date: April 5, 2010

Bill Summary: This proposal enacts provisions relating to authorization of tax credits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	$44,700,000	$169,000,000	$231,100,000
Total Estimated Net Effect on General Revenue Fund*	**$44,700,000**	**$169,000,000**	**$231,100,000**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on Other State Funds*	**$0**	**$0**	**$0**

*** 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 17 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ 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 2011	FY 2012	FY 2013
Local Government*	**$0**	**$0**	**$0**

*** 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 this proposal places a global cap on tax credit authorizations, except for the senior citizens property tax and homestead preservation credits. This program will modify the state's other existing tax credit programs.

- The global cap shall be 70% of tax credit redemptions in FY09, not including the senior credits.
- For FY11, 100% of this cap shall be allocated to DED for tax credit authorizations as described below.
- For FY12, 80% of this cap shall be allocated to DED for tax credit authorizations, with up to the remaining 20% to be allocated by the General Assembly in the appropriations bill for public debt.
- By October 1 of each year, DED shall prepare and publish a draft allocation plan, which shall provide:
    - 5% of the aggregate cap for community assistance
    - 4% for financial & insurance purposes
    - 6% to the MDFB for public infrastructure
    - 10% to the MHDC for affordable housing
    - 25% for redevelopment
    - 30% for business development
    - Additional allocations subject to appropriation.
- The DED shall be the administering agency for the tax credits authorized in this section, but may consult with other state agencies as necessary. BAP notes this proposal may raise administrative issues for DOR and DIFP, since many of their tax credit programs are not "tax credit certificate" programs, but rather adjustments taken on tax forms. BAP defers to the DED and other state agencies for comments on the impact of this provision.
- The DED shall enter into a contract with eligible applicants. In addition to other conditions, the contract might include that a portion of the tax credit is refundable. This may accelerate the redemption of a particular tax credit beyond historical norms. There is a limit on refundable credits of 20% of the global cap for FY12; 35% for FY13; 50% for FYs 14 and beyond. However, there is no limit on refundable credits established for FY11. If a large portion of the $314M of available credits is authorized and ultimately redeemed in FY11, this could have a significantly negative impact on FY11 general and total state revenues, especially if the induced economic benefits of the eligible projects are not realized for several years.

ASSUMPTION (continued)

The DOR has reported tax credit redemptions in the amounts listed below. For purposes of calculating the global cap, the training programs appropriated through DED and the retained withholdings in the MQJ program have been excluded in addition to the senior credits.

	FY 2009 ($ M)
Tax Credit Redemptions	$584,721,601
EXCLUSIONS:	
Senior Property	$118,573,853
Homestead Preservation	$94,377
CC New Jobs Training	$4,175,591
Job Retention	$9,992,850
MQJ Retained Withholding	$3,424,786
TOTAL EXCLUSIONS:	$136,261,457
Eligible Credits	$448,460,144
Global Cap (70%)	$313,922,101

Therefore, BAP estimates the global cap on tax credits for FY11 as $314M. The chart below presents estimated tax authorizations for FY11 under the current system, based on information provided by the agencies in FY09.

Program Area	Projected FY11 Authorizations	Proposed FY 11 Cap	Difference
Affordable Housing	206.0	31.4	174.6
Business Development	133.2	94.2	39.0
Community Assistance	32.1	15.7	16.4
Financial & Insurance	40.9	12.6	28.3
Public Infrastructure	8.5	18.8	(10.3)
Redevelopment	186.5	78.5	108.0
At Large	0.0	62.8	(62.8)
TOTAL	**607.2**	**314.0**	**293.2**

While the chart shows that authorizations may be cut nearly in half, BAP cannot precisely

ASSUMPTION (continued)

identify in which fiscal year GR savings may be realized, because of the various program procedures in place. In general, savings from existing "contribution" programs, and programs to offset insurance industry costs, may be realized in FY11, while other savings may not be realized for 2-3 additional years. Therefore, for the purposes of this fiscal note response, BAP assumes that the savings attributed to "Community Assistance" and "Financial & Insurance" programs described in the chart above will be attributed to FY11. BAP estimates 50% of the remaining difference may be attributed to FY12, 75% to FY13, and 100% to FY14. BAP will adjust these projections if better information becomes available.

Therefore, this proposal may increase general and total state revenues by $44.7M in FY11, $169M in FY12, $231.1M in FY13, and $293.2M in FY14. However, these estimates do not reflect the potential decrease in revenue due to the refundable provision noted previously.

Officials from the **Department of Economic Development (DED)** state their Business and Community Services Division is unable to determine the exact impact of the proposed legislation and therefore anticipate an unknown fiscal impact.

Officials from the **Department of Economic Development - Missouri Development Finance Board (MDFB)** state the proposed legislation reclassifies 61 DED, MHDC, and MDFB credits into seven broad categories with global caps for each category. Sub-allocations among various programs within these categories are then left to the discretion of the administering agencies. Without knowing how those inter-category allocations will be determined it cannot be predicted what the impact of this change will be on specific programs. Overall, near-term impact would be a reduction in total credits issued in fiscal years 2011, and further reductions in 2012 and thereafter. Impact to the MDFB Public Infrastructure Development credit will be minimal when compared to the existing program statutory cap.

Officials from the **Department of Economic Development - Missouri Housing Development Commission (MHDC)** state the bill would replace the Affordable Housing Assistance Program (AHAP) and Missouri Low Income Housing Tax Credit (LIHTC) with a new category of tax credits for affordable housing projects/activities. The bill also sets an aggregate cap on the amount of state credits to be authorized each year and identifies percentages of the aggregate cap to be set aside for each category - including affordable housing. The bill says that DED would allocate at least 10% of the aggregate cap to MHDC to use for affordable housing credits. The affordable housing category allocation (estimated at approximately $31.4 million) would be significantly less than the combined amount of credits authorized each year under the AHAP and LIHTC currently (projected to be $201 million in FY11). However, because there is significant lag time (approximately 18-24 months) between when a project is authorized LIHTC and those

ASSUMPTION (continued)

credits are redeemed, it would be several years before the full cost avoidance/ savings would be realized.

The estimated long-range implications can be found by subtracting the avoided costs of redeeming LIHTC and AHAP credits that would not be authorized/issued/redeemed if HB 2399 passes and from the cost of redeeming the new affordable housing credits.

	New Housing credits	AHAP	LIHTC	Total Costs/Cost Avoidance (Savings)
FY 14	$31,400,000	($8,800,000)	($30,926,398)	($8,326,398)
FY 15	$31,400,000	($9,350,000)	($50,575,674)	($28,525,674)
FY 16	$31,400,000	($9,900,000)	($70,647,168)	($49,147,168)
FY 17	$31,400,000	($10,450,000)	($91,147,008)	($70,197,008)
FY 18	$31,400,000	($10,450,000)	($112,081,399)	($91,131,399)
FY 19	$31,400,000	($10,450,000)	($133,456,618)	($112,506,618)
FY 20	$31,400,000	($10,450,000)	($155,279,017)	($134,329,017)
FY 21	$31,400,000	($10,450,000)	($177,555,024)	($156,605,024)
FY 22	$31,400,000	($10,450,000)	($200,291,142)	($179,341,142)

It is assumed that there would be no effect on MHDC's operational costs, because MHDC's existing staff could absorb any work associated with administering the new affordable housing category of credits. Furthermore, MHDC's operational costs are paid with MHDC's own funds that lie outside the state treasury, so there would be state fiscal impact even if MHDC staffing did change as a result of the legislation.

In terms of estimating the fiscal impact of the cost savings resulting from reducing the number of credits authorized each year, one must estimate the timing and amount of the resulting reductions in redemptions. For the purpose of estimating the fiscal impact of HB 2399, we will assume that all the credits that would have been authorized in FY11 and beyond would eventually be issued.

New "affordable housing" category of credits - It is impossible to know what the cost of these new credits would be to the state each year, because the aggregate cap and therefore the portion allocated to MHDC for affordable housing could fluctuate in future years based on changes in general revenue collections. Also, because the new credits could be structured in a variety of ways, there could be significant lag time between when each credit is authorized and redeemed. For purposes of estimating this fiscal note and taking the most conservative (worst case) scenario, it is assumed that $31,400,000 will be allocated each year and redeemed in the same

ASSUMPTION (continued)

year, so the cost during the fiscal note period would be $31,400,000 in FY11, $31,400,000 in FY12 and $31,400,000 in FY13.

AHAP - The AHAP credits currently have a 10 year carry forward provision, but based on historical analysis, 20% are redeemed in the year of authorization/issuance, 50% are redeemed by the second year, 75% are redeemed by the third year, 95% are redeemed by the seventh year and the remaining 5% are never redeemed. Assuming all $11 million under the current statutory cap are authorized/issued each year, the associated reduction in redemptions (savings) would be ($2,200,000) in FY11, ($5,500,000) in FY12 and ($8,250,000) in FY13.

LIHTC - Using the timing assumptions from a historical analysis of the time between authorization and issuance, the LIHTC credits are initially issued two to four years after authorization. Because the LIHTC are 10-year credits, the annual amount initially issued is issued each year for a total of 10 years. For example, FY11 authorized credits would be initially issued during FY13-FY15. The 10-years of issuances for credits authorized in FY11 would continue until FY22-FY24 (projects initially issued in FY13 would be issued credits each year until FY22). Because of this lag, between authorization, issuance and then redemption, only a limited amount of savings ($12,193,281) is projected to occur within the fiscal note period from discontinuing the Missouri LIHTC. However, there would be significant long term cost avoidance/savings.

	FY 11	FY 12	FY 13
New Credits	$31,400,000	$31,400,000	$31,400,000
AHAP	($2,200,000)	($5,500,000)	($8,250,000)
LIHTC	$0	$0	($12,193,281)
Total Costs / Costs Avoidance (Savings)	$29,200,000	$25,900,000	$10,956,719

ASSUMPTION (continued)

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many tax credits will be used or the amount of tax credits that will be authorized by the Department of Economic Development under the cap provisions of this bill. It is assumed the amount of credits used by insurance companies would remain the same or be reduced; therefore a zero to unknown increase to premium tax revenue would result. 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 by tax credits each year.

The department will require minimal contract computer programming to adjust the tax credit percentage used in the premium tax database and can do so under existing appropriation. However, should these adjustments take more time than anticipated; the department may need to request more expense and equipment appropriation through the budget process.

Officials from the **Department of Agriculture (AGR)** state should this legislation result in significant reductions to the agriculture and agribusiness tax incentives, participation in several programs will also be affected, all of which generate investment and economic activity in rural Missouri. The programs that could be affected include:

- Missouri Value-Added Grant: provides grants for projects that add value to Missouri agricultural products and aid the economy of a rural community. Grant funding will pay for feasibility studies, marketing studies, legal assistance, marketing plans, business plans, prospectus development for cooperatives, and operational consulting. This program is funded by the sales of the Agricultural Products Utilization Contributor Tax Credit.

- Missouri Value-Added Loan Guarantee: provides a 50% first-loss guarantee to lenders who make agricultural business development loans for the acquisition, construction, improvement, or rehabilitation of agricultural property used for the purpose of processing, manufacturing, marketing, exporting, and adding value to an agricultural product.

- New Generation Cooperative Incentive Tax Credit: provides tax credits to induce producer member investment into new generation processing entities that will process Missouri agricultural commodities and agricultural products into value-added goods, provide substantial benefits to Missouri's agricultural producers, and create jobs for Missourians.

ASSUMPTION (continued)

- Agricultural Products Utilization Contributor Tax Credit: Applies to contributions used for financial or technical assistance to rural agricultural business concepts as approved by MASBDA.

- Family Farm Breeding Livestock Tax Credit: provides Tax credits to Missouri's lenders who make breeding livestock loans to small farmers. The tax savings is passed on to the farmer in the form of paying the first year's interest on the loan.

- Eligible Facility Borrower: below-market rate deposits of state funds are placed in Missouri financial institutions, allowing eligible borrowers to obtain low interest loans from that institution. MASBDA determines eligibility of the applicant.

- Qualified Beef Tax Credit Program: provides ten cents per pound tax credit for Missouri's qualified beef producers who raise and background or finish Missouri born qualified beef animals to a weight of two hundred (200) pounds or more over their established baseline weight.

MASBDA commissioned the University of Missouri to study the economic impact of both the New Generation Cooperative Tax Credits and the Ag Product Utilization Tax Credits. The study showed a benefit cost ratio of 17 to 1 for the programs, meaning that for every dollar invested in the tax credits, the state benefitted seventeen dollars. This study showed a net present value of $290,028,776 for the investments made in these programs through FY 09. Eliminating these programs will have a net negative impact on state revenues by losing or reducing these investments in the state.

There will also be a negative economic impact on rural Missouri as the incentives to invest in value added ag processing and new generation farmer cooperatives may no longer be available or could be substantially reduced.

AGR assumes a loss to the MASBDA funds of roughly $180,000 per year, based upon an average of the fees generated from the tax credit programs for the past five years.

The impact to General Revenue could not be determined with the information in the bill because MASBDA cannot determine how much of the discretionary tax credits would be applied to MASBDA's existing programs.

The assumption is made that DED will authorize, issue, track, report, oversight, and comply with the "Tax Credit Accountability Act" so that MASBDA will no longer be involved with the New

ASSUMPTION (continued)

Generation Cooperative Incentive Tax Credit, Agricultural Products Utilization Contributor Tax Credit, Family Farm Breeding Livestock Tax Credit, and Qualified Beef Tax Credit Programs on and after July 1, 2010 except for those authorized prior to July 1, 2010.

Officials from the **Department of Natural Resources** assume the proposal would not result in a fiscal impact to their agency.

Officials from the **Department of Revenue (DOR)** state their response to a proposal similar to or identical to this one in a previous session indicated the department planned to absorb the administrative costs to implement the proposal. Due to budget constraints, reduction of staff and the limitations within the department's tax systems, changes cannot be made without significant impact to the department's resources and budget. Therefore, the IT portion of the fiscal impact is estimated with a level of effort valued at $26,712 (1,008 FTE hours to make programming changes to the individual income tax processing system and the corporate income tax processing system).

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

The **Department of Revenue** also stated there are a number of tax credits currently administered by their agency. Several of the credits have a specific formula or calculation method. If those credits are continued by the Department of Economic Development, DOR assumes it will need to provide support to the Department of Economic Development regarding the authorization and or calculation of those credit amounts.

Officials from the **Department of Health and Senior Services (DOHSS)** assume this section may result in a reduction in the number of tax credits issued and redeemed to the Shared Care Tax Credit Program. In FY 2009, $173,000 in Shared Care Tax Credits were issued with $92,803 redeemed. Since this legislation gives oversight for allocating the authorization of tax credits to the Department of Economic Development, DOHSS cannot estimate the impact this legislation will have on the Shared Care Tax Credit. Therefore DOHSS defers to the Office of Administration and the Department of Economic Development for the global impact this legislation will have on the state.

Section 135.840.2 states the aggregate amount of tax credits issued, with certain exclusions, shall not exceed seventy percent of the total dollar amount of all state tax credits redeemed during the

ASSUMPTION (continued)

fiscal year ending on June 30, 2009, as of July 1, 2010. This may result in a reduction in the amount of tax credits issued under the Shared Care Tax Credit program, depending upon how the Department of Economic Development allocates the cap placed on state tax credits. If the Shared Care Tax Credit tax credits are reduced, it is possible that an increased number of individuals would utilize Medicaid-funded long-term care services, by either entering a nursing facility or utilizing Home and Community-Based (HCB) Services if this tax credit is reduced.

Officials from the **Department of Social Services** did not respond to our request for fiscal impact.

Oversight will utilize the projected savings in tax credits as estimated by the Office of Administration - Budget and Planning. Oversight assumes there may be other costs and/or savings resulting from this proposal such as administrative cost savings by some agencies since fewer tax credits are issued, reduced fees collected by various agencies that charge a fee for tax credit issuance; however, Oversight will only reflect the potential savings to the state from the decreased issuance of tax credits in the fiscal note until a better understanding of how the tax credits would be allocated across the various programs.

Oversight assumes there would be some negative economic impact to the state as a result of the changes in this proposal; however, Oversight considers these to be indirect and therefore, have not reflected them in the fiscal note.

This proposal may increase Total State Revenues.

FISCAL IMPACT - State Government	FY 2011	FY 2012	FY 2013
GENERAL REVENUE			
Savings - various state agencies tax credit issuance is limited to 70% of FY 2009 redemptions	$44,700,000	$169,000,000	$231,100,000
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	**$44,700,000**	**$169,000,000**	**$231,100,000**

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.

FISCAL IMPACT - Local Government	FY 2011	FY 2012	FY 2013
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses that receive tax credit from the state may be negatively impacted as a result of this proposal.

FISCAL DESCRIPTION

This bill changes the laws regarding the authorization of tax credits with the exception of the Senior Citizens Property Tax Credit and the Homestead Preservation Tax Credit.

For all fiscal years beginning on or after July 1, 2010, the aggregate amount of all state tax credits

FISCAL DESCRIPTION (continued)

authorized in any fiscal year cannot exceed 70% of the total dollar amount of all state tax credits redeemed by July 1, 2010, for the fiscal year ending on June 30, 2009, excluding the Senior Citizens Property Tax Credit and the Homestead Preservation Tax Credit. The aggregate cap will be adjusted annually by the percentage change in general revenue collections net of refunds of the preceding fiscal year over the second preceding fiscal year, as determined by the Commissioner of Administration.

For the fiscal year beginning on July 1, 2010, 100% of the aggregate cap amount must be allocated to the Department of Economic Development for tax credit authorizations. For all fiscal years beginning on or after July 1, 2011, 80% of the aggregate cap amount must be allocated to the department for tax credit authorizations. The General Assembly must appropriate up to 20% of the aggregate cap amount to the department for tax credit authorizations for fiscal years beginning on or after July l, 2011.

The bill requires the department to prepare and publish a draft allocation plan setting forth the proposed allocation of tax credits by October 1, 2010, and each year thereafter. The plan must be made available for public review and comment and must allocate tax credits in the following manner:

(1) At least 5% for community assistance purposes;

(2) At least 4% for financial and insurance purposes;

(3) At least 6% for public infrastructure purposes;

(4) At least 10% for affordable housing purposes;

(5) At least 25% for redevelopment purposes; and

(6) At least 30% for business development purposes.

After these allocations have been made, the department may, subject to appropriation, allocate any remaining portion of the aggregate cap toward authorizations for tax credits for any other specified purpose.

FISCAL DESCRIPTION (continued)

At a minimum, the plan must include:

(1) Application deadlines for the tax credits authorized, except for tax credits for business development purposes;

(2) The proposed evaluation criteria and definitions applicable to each of the purposes specified in the bill;

(3) The methodology used to determine the economic impact and return on investment for each of the specified purposes; and

(4) Any priorities established for the authorizations of credits under each of the specified purposes.

Following an opportunity for public comment on the draft plan, but no later than January 1, 2011, and each year thereafter, the department must approve and transmit the plan, along with any public comments, to the Budget Committee of the House of Representatives and the Appropriations Committee of the Senate. The department's approved plan will govern the authorization of tax credits, except that the department must adjust it to reflect the additional percentage of the aggregate cap appropriated by the General Assembly by July 1, 2011, and each year thereafter.

The department must prepare an annual report for the General Assembly by September 1, 2011, and each year thereafter detailing the tax credits authorized for each of the specified purposes during the prior fiscal year.

Credits against the income, corporate franchise, and financial institution taxes may be authorized for:

(1) Business development;

(2) Redevelopment;

(3) Affordable housing;

(4) Public infrastructure;

(5) Community assistance; and

FISCAL DESCRIPTION (continued)

(6) Financial and insurance.

The department will be the administering agency for all tax credits authorized for these purposes.

The director may authorize a tax credit equal to 50% of any eligible project costs or the direct economic impact of the eligible project or activity for the purpose of business development, whichever is less. Business development includes eligible projects or activities which stimulate job creation or retention and new private investment, create added value, improve environmental efficiencies, or cause a unique activity or event that creates significant direct and measurable economic benefit to the state. The department may increase a tax credit to an existing Missouri business by up to 2% of the tax credits authorized for each continuous five-year period the employer has been a Missouri business, up to a total of 10%. In determining whether to authorize this tax credit, the department must consider the state's net fiscal general revenue benefit as a result of the credit along with any other information specified in the allocation plan.

The department director may authorize a tax credit of up to 35% of eligible project costs incurred for an eligible project or activity for the purpose of redevelopment. Redevelopment includes eligible projects or activities which rehabilitate real property for productive use. In determining whether to authorize this tax credit, the department must consider a cost-benefit analysis of the eligible project or activity along with any additional information specified in the allocation plan.

The Missouri Housing Development Commission may authorize a tax credit of up 50% of eligible project costs incurred for an eligible project or activity for the purpose of providing affordable housing. Affordable housing includes eligible projects or activities which create, rehabilitate, or provide access to decent, safe, and sanitary housing within the financial capability of the occupants. In determining whether to authorize this tax credit, the commission must consider a cost-benefit analysis of the eligible project or activity along with any additional information specified in the allocation plan.

The Missouri Development Finance Board may authorize a tax credit of up to 50% of eligible project costs incurred for an eligible project or activity for the purpose of providing public infrastructure. Public infrastructure includes eligible projects or activities which assist in the construction or rehabilitation of facilities, utilities, transportation systems, and related improvements for public use. In determining whether to authorize this tax credit, the board must consider a cost-benefit analysis of the eligible project or activity along with any additional criteria specified in the allocation plan.

FISCAL DESCRIPTION (continued)

The department director may authorize a tax credit of up to 50% of eligible costs incurred for an eligible project or activity for the purpose of providing community assistance. Community assistance includes eligible projects or activities which assist in the creation or expansion of a service designed to meet a community or social need, either through physical improvements or increased operating capacity. In determining whether to authorize this tax credit, the department must consider a cost-benefit analysis of the eligible project or activity along with any additional information specified in the allocation plan.

The director may authorize a tax credit for assisting financial and insurance firms. Financial and insurance includes eligible projects or activities which assist financial and insurance firms. In determining whether to authorize this tax credit, the department must consider a cost-benefit analysis of the eligible project or activity along with any additional information specified in the allocation plan.

The bill requires the department director to enter into an agreement with an eligible applicant prior to authorizing any tax credits. The agreement must specify, at a minimum, the public benefit, the eligible project or activity, the eligible costs, the amount of the tax credits to be authorized, the applicable term of authorization, applicable recapture provisions, and any contractual conditions required under Section 620.017, RSMo. The director may also agree that the tax credit:

(1) May be carried forward for up to five years but cannot be carried back to previous tax years;

(2) May be transferred, sold, or assigned;

(3) May be considered refundable but in no event can the department authorize refundable tax credits in an amount that exceeds 20% of the aggregate cap amount for Fiscal Year 2012; 30% of the aggregate cap amount for Fiscal Year 2013; or 50% of the aggregate cap amount for any fiscal year beginning on or after July 1, 2013;

(4) May be based on a contribution or investment in an eligible project or activity;

(5) May continue over a number of years; or

(6) Include any other feature not otherwise prohibited by law.

Before authorizing any tax credit, the department must verify that the applicant does not owe delinquent taxes, interest, or penalties.

FISCAL DESCRIPTION (continued)

Eligible applicants or single eligible projects or activities that receive authorization for tax credits of more than $1 million must provide the department with a certification of eligible activities or costs performed by a certified public accountant.

The bill contains an emergency clause.

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

Office of Administration - Budget and Planning
Department of Economic Development
Department of Agriculture
Department of Revenue
Department of Health and Senior Services
Department of Insurance, Financial Institutions and Professional Registration
Department of Natural Resources

NOT RESPONDING:
Department of Social Services

Mickey Wilson
Mickey Wilson, CPA
Director
April 5, 2010