

HB 1881 -- Tax Incentives for Job Growth

Sponsor: Grisamore

This bill authorizes a sales and use tax exemption for specified equipment used by certain data center and server farm facilities and establishes the Missouri Advantage Act.

SALES AND USE TAX EXEMPTION (Section 144.055, RSMo)

Beginning January 1, 2011, the bill exempts from state and local sales and use taxes all machinery, equipment, or computers used by data center and server farm facilities that are more than 50,000 square feet of space.

MISSOURI ADVANTAGE ACT (Sections 620.2056, 620.2059, 620.2062, 620.2065, 620.2068, 620.2071, 620.2074, and 620.2077)

The bill establishes the Missouri Advantage Act which allows applicants to qualify for benefits in one of five tiers as follows:

- (1) Tier one requires investing at least \$1 million in qualified property and the hiring of at least 10 new employees;
- (2) Tier two requires investing at least \$3 million in qualified property and the hiring of at least 30 new employees;
- (3) Tier three requires the hiring of at least 30 new employees;
- (4) Tier four requires investing at least \$10 million in qualified property and the hiring of at least 100 new employees; and
- (5) Tier five requires investing at least \$30 million in qualified property.

A taxpayer who qualifies for a tier one, two, three, or four project will be entitled to a credit equal to 3% times the average wage of the new employees times the number of new employees if the average wage of the new employees equals at least 60% of the Missouri average annual wage for the year in which the application is made; 4% times this amount if the average wage of the new employees equals at least 75% of the Missouri average annual wage; 5% times this amount if the average wage of the new employees equals at least 100% of the Missouri average annual wage; and 6% times this amount if the average wage of the new employees equals at least 125% of the Missouri average annual wage.

A taxpayer who meets the requirements for a tier two or four project will receive a credit equal to 10% of the investment made in qualified property at the project. A taxpayer who meets the requirements for a tier one project will receive a credit equal to 3% of the investment made in the qualified property at the project.

To utilize these incentives, the taxpayer must submit an application to the Department of Economic Development. The bill specifies the requirements of the application, including the application fees. After an application is approved, the department and the taxpayer will enter into a written agreement. The requirements of the agreement are specified in the bill.

Any taxpayer receiving benefits under this act cannot simultaneously receive benefits from the Quality Jobs Act for any project.

Tax credits for all tiers can be used to offset income taxes due under Chapter 143. Tax credits for a tier one, two, three, or four project can also be used:

- (1) To offset the taxpayer's withholding taxes to the extent that the liability is attributable to the number of new employees at the project; and
- (2) To obtain a refund of sales and use taxes which are not otherwise refundable and which are paid on purchases, including rentals. The bill specifies the procedures for an applicant to claim a refund and when it will be paid. Interest will be allowed on any refunds.

Tax credits may be carried forward for up to nine years for a tier one or three project and for up to 14 years for a tier two or four project.

If a taxpayer with a tier one or three project fails to meet the required levels of employment or investment within four years after the date on which the application was submitted, all or a portion of the incentives can be recaptured or disallowed. If a taxpayer with a tier two, four, or five project fails to meet the required levels of employment or investment within six years after the date on which the application was submitted, all or a portion of the incentives can be recaptured or disallowed.

The Missouri Incentives Fund is created which will consist of application fees submitted by taxpayers. Upon appropriation, moneys in the fund will be used solely for the administration of the act.

The bill requires the department to submit an annual report to the General Assembly by July 15 and specifies the requirements of the report.

Tax credits are not transferrable except in certain situations specified in the bill.