COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6003-04
Bill No.: HCS for HB 2
Subject: Economic Development; Taxation and Revenue
Type: Original
Date: June 29, 2010

Bill Summary: This proposal would provide tax incentives for qualified manufacturing companies or qualified suppliers that create or retain jobs in Missouri. Additional provisions would authorize technology business facility projects and community improvement districts, and provide sales tax exemptions for data storage facilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	($99,259 to Unknown)	($108,949 to Unknown)	($112,217 to Unknown)
Total Estimated Net Effect on General Revenue Fund	**($99,259 to Unknown)**	**($108,949 to Unknown)**	**($112,217 to Unknown)**

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Blind Pension	(Unknown)	(Unknown)	(Unknown)
Conservation Commission	(Unknown)	(Unknown)	(Unknown)
Parks, and Soil and Water	(Unknown)	(Unknown)	(Unknown)
School District Trust	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on Other State Funds	**(Unknown)**	**(Unknown)**	**(Unknown)**

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
General Revenue	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	**2 FTE**	**2 FTE**	**2 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 2011	FY 2012	FY 2013
Local Government	**(Unknown)**	**(Unknown)**	**(Unknown)**

FISCAL ANALYSIS

ASSUMPTION

Qualified Manufacturing Jobs Provisions

In response to a previous version of this proposal, officials for the **Office of Administration - Budget and Planning (BAP)** stated the following sections could have fiscal impact to the state:

Section 620.1910.4 - would allow a qualified manufacturing company to retain 100% of the withholding tax from full-time jobs retained for a period of ten years for new products, or 50% of the withholding tax from full-time jobs retained for a period of seven years for modified products.

ASSUMPTION (continued)

Section 620.1910.5 - would allow a qualified supplier to retain all withholding tax from new jobs for a period of three or five years, depending upon the wage amount compared to the industry average. Qualified suppliers could not receive benefits for the same new jobs, under these programs: BUILD, New & Expanding Business Facility; Enterprise Zone; Rebuilding Communities; Rural Empowerment Zone; Enhanced Enterprise Zones; or Missouri Quality Jobs.

Section 620.1910.6 - would allow a maximum total aggregate amount of retained withholding tax under this section of $15 million per year for "qualified manufacturing companies". There is no cap specified for qualified suppliers.

Section 620.1910.7 - would prohibit qualified manufacturing companies receiving benefits under this section from receiving Build, Business Facility Tax Credits, Enterprise Zone Tax Benefits, Rebuilding Communities Tax Credits, and Rural Empowerment Zone Tax Benefits.

BAP stated that the proposal would reduce general and total state revenues, to the extent that withholding retention is granted for jobs already in existence. To the extent withholding retention is granted for new jobs, this proposal may slow the growth in future revenues. This proposal may induce other economic activity, but BAP does not have data to estimate induced revenues. DED may have such an estimate.

In response to a previous version of this proposal, officials from the **Department of Economic Development (DED)** stated that the proposed legislation would provide incentives for qualified manufacturing companies or qualified suppliers. DED assumes the proposed legislation would result in the need for two additional FTE in Business and Community Services (BCS). These FTE would be Economic Development Incentive Specialist IIIs and would be responsible for administering the program, reviewing the tax credit applications to make sure they meet the criteria of the program, and drafting and sending the tax credit awards and ensuring compliance with the program. The related costs for these FTE include one-time expenditures for systems furniture, side chairs, file cabinets, calculators and telephones and recurring costs for office supplies, computers, professional development and travel. DED assumes the cost for these FTE to total roughly $145,000 per year.

Oversight notes that the proposal would require $15 million of the $80 million Quality Jobs Program annual limit to be used for retaining withholding tax by manufacturing companies which qualify under the Manufacturing Jobs Act.

ASSUMPTION (continued)

Oversight assumes DED's estimate of expense and equipment cost for the new FTEs could be overstated. If DED is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2011 could be reduced by roughly $11,800.

Officials from the **Department of Revenue (DOR)** in response to a similar proposal 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 $21,306 (840 hours) to make programming changes to the withholding 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 ITSD 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.

DOR also assumed the need for two additional FTE to administer the changes to the withholding tax from both manufacturers as well as suppliers. DOR assumed a cost for these additional FTE of roughly $85,000 per year.

Oversight assumes DOR's estimate of expense and equipment cost for the new FTEs could be overstated. If DOR is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2011 could be reduced by roughly $11,200.

Based on the the narrow definitions of 'qualified manufacturing company' and 'qualified supplier', **Oversight** will assume that a limited number of companies would qualify for the benefits of this proposal, which would only justify one FTE each for the Department of Economic Development and the Department of Revenue. If more companies qualify for the benefits than what Oversight anticipates, Oversight assumes DED and DOR could request additional resources through the appropriations process.

ASSUMPTION (continued)

Oversight has, for fiscal note purposes only, changed the starting salary for the additional DOR employee 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 and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Also, Oversight assumes that the relatively small number of additional staff can be located in existing office space.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** assumed a similar proposal in the previous session would not fiscally impact their agency.

In response to a similar proposal (HB 1675 of the 2010 regular session), 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 Secretary of State's Office for Administrative Rules is less than $2,500. The SOS recognizes that this is a small amount 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.

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

This proposal has an annual limit of $15 million in withholding benefits from the Quality Jobs Act that may be awarded to qualified manufacturing companies under this program, no earlier than January 1, 2012. Qualified suppliers would also be allowed to retain withholding taxes; however, these provisions do not state an annual limit or a start date for this part of the program. Therefore, Oversight will assume an unknown loss of withholding taxes for qualified suppliers. Oversight also assumes the proposal would have an effective date of August 28, 2010.

ASSUMPTION (continued)

This proposal may decrease Total State Revenues.

Technology Business Facilities

These provisions would allow municipalities to engage in technology business facility projects and exempt related transactions from local sales taxes.

Officials from the **Office of State Courts Administrator**, the **Office of the Secretary of State**, the **Department of Economic Development**, and the **Department of Revenue** assumed that similar provisions in HB 2107 (LR 4776-01 2010) proposal would have no fiscal impact on their organizations.

Officials from the **City of Centralia** stated in response to similar provisions in HB 2107 (LR 4776-01 2010) that since there are no such projects known or contemplated in their jurisdiction, the proposal would have no fiscal impact on their organization.

Officials from the **Office of Administration, Division of Budget and Planning** (BAP), assumed that similar provisions in HB 2107 (LR 4776-01 2010) would not result in additional costs or savings to their organization.

BAP officials stated that the proposal would exempt transactions involving the lease or rental of any components of a technology business facility project from local sales tax. The Department of Revenue (DOR) collects local sales taxes for certain municipalities and charges a fee for that collection. As a result of the exemption contained in this bill, the amount of local sales tax revenue DOR collects for certain municipalities may be minimally reduced, potentially reducing the amount of work and collection fee revenue for DOR.

Oversight assumes that any reduction in state revenue from local government sales tax collection charges would be minimal.

Oversight notes that this proposal would allow any municipality in the state - county, city, incorporated town, or village - to develop a technology business facility project. A qualifying project would be located in a portion of an underground mine that contains at least two million square feet of space, and project resources could only be used for certain technology-related businesses.

ASSUMPTION (continued)

Oversight assumes that any impact related to this proposal would be the result of some future action by a municipality and will not include any impact in this fiscal note.

Community Improvement Districts - Certified Site Zones

These provisions would provide incentives, including tax credits, for employers who establish a new business facility in a certified site zone or properly designated dormant manufacturing plant zone. Incentives would include the retention of withholding taxes and tax credits for new investments based on whether wages for the additional jobs were more or less than the county average.

Tax credits would be available for five years, would be limited to $10 million per year, and would be provided from an allocation of the $24 million authorized in previous years for enhanced enterprise zones. The amount of issuance and redemptions for the enhanced enterprise zones program has been:

Year	Issued	Redeemed
2009	$2,262,259	$1,454,319
2008	$1,999,842	$756,006
2007	$115,319	$5,188

Oversight notes that there could be a budget impact of up to $10 million from the issuance and redemption of the additional tax credits authorized by these provisions. Since Oversight has already reflected the potential cost of this program of up to in previous fiscal notes, Oversight will not reflect additional lost revenue from the changes in this bill.

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 85 percent to 106 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 95 percent of tax credits issued. Therefore, if $10 million credits are issued, Oversight would assume $9,500,000 credits would be redeemed.

ASSUMPTION (continued)

Oversight notes that these provisions also allow a qualified employer to retain a percentage of employee withholding tax, and will indicate an unknown revenue reduction to the state General Revenue Fund for that withholding.

Oversight also notes that these provisions include a reduced property tax assessment rate for machinery, tools, and equipment included in a qualified manufacturing facility, and will indicate an unknown revenue reduction to local governments and the state Blind Pension Fund.

Finally, **Oversight** notes that these provisions include a sales tax exemption for all tangible personal property and any other tools, machinery, or equipment used in a qualified project. Oversight will indicate an unknown revenue reduction to the state General Revenue Fund and those other state funds which receive sales tax revenues, and to local governments for this exemption.

Sales Tax Exemption for Server Farms

Officials from the **Office of Administration**, **Division of Budget and Planning** (BAP) assumed that similar provisions in SB 823 (LR 4216-01 2010) would not result in any additional costs or savings to their organization.

BAP officials stated that those provisions would provide a sales tax exemption for certain inputs of production used by data storage facilities. These firms fall under NAICS 518210 or 519130. Officials at DED report there were 377 MO firms in these NAICS codes in autumn of 2009. The proposal would reduce general and total state revenues and local revenues by an unknown amount. BAP notes that, according to Department of Revenue taxable sales data, roughly 0.33% of total taxable sales were made by the 488 firms in SIC Code 737, Computer and Data Processing. Assuming this figure serves as a rough estimate for the exempted inputs in the proposal, then sales tax revenues may fall by the same amount.

ASSUMPTION (continued)

Revenue impacts ($ millions) might be:

Fund	FY 2009 Sales Tax	Estimated Loss
General Revenue	$1,883.70	$6.22
School District Trust	$728.40	$2.40
Conservation Commission	$96.60	$0.32
Parks, and Soil and Water	$77.30	$0.26
	$2,786.00	$9.20

Oversight notes that this proposal may not limit the exemption to entities primarily identified in the selected economic activity codes, since entities primarily engaged and defined in other economic activity codes could likely claim the exemption for activities defined in the proposal. Also, entities in the defined codes would likely make purchases not subject to the proposed exemption.

Officials from the **Department of Conservation** (MDC) assumed that similar provisions in SB 823 (LR 4216-01 2010) would authorize a state and local sales and use tax exemption for data storage.

MDC officials stated that those provisions could have a significant negative fiscal impact on MDC funds which could exceed $100,000 annually. However, MDC is unable to provide an exact amount and will rely on DOR for the fiscal impact of this legislation.

Officials from the **Department of Elementary and Secondary Education** assumed that similar provisions in SB 823 (LR 4216-01 2010) would not impact their organization or local schools, other than any resulting impact from the reduction of state revenues.

Officials from the **Department of Natural Resources** (DNR) stated that assumed that similar provisions in SB 823 (LR 4216-01 2010) would, if enacted, provide state and local sales and use tax exemptions for all utilities, machinery, and equipment, used or consumed in data storage.

ASSUMPTION (continued)

The Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Any additional sales tax exemption would be an unknown loss to the Parks and Soils Sales Tax Funds. Adding exemptions from sales tax would also have a negative effect on total state revenue. Exempting sales tax for the purposes described in this proposal would decrease the amount of funding available in the Parks & Soils Sales Tax Funds for long term operation of state parks and historic sites and assistance to agricultural landowners through voluntary programs.

DNR officials provided an estimate of unknown revenue reductions for the General Revenue Fund and the Parks and Soils Sales Tax Fund.

Officials from the **Department of Revenue** (DOR) assumed that similar provisions in SB 823 (LR 4216-01 2010) would create additional exemptions from sales taxes for all utilities, machinery, and equipment used in data storage.

DOR Collections and Tax Assistance would anticipate additional contacts due to this exemption, and estimated that one FTE Revenue Processing Technician I (Range 10, Step L) would be required for every additional 24,000 contacts annually to the registration section, and one FTE Revenue Processing Technician I (Range 10, Step L) would be required for every additional 4,800 contacts annually to the tax assistance offices.

In summary, DOR officials submitted an estimate of the cost to implement this proposal including two additional employees with benefits, expense, and equipment totaling $79,301 for FY 2011, $84,162 for FY 2012, and $86,689 for FY 2013.

Oversight assumes there would be a limited number of entities eligible for this sales and use tax exemption and that DOR could absorb the additional workload with existing resources. If this proposal created a significant unanticipated increase in the DOR workload, or if multiple such proposals were implemented, resources could be requested through the budget process.

Officials from **Cass County** assumed that the fiscal impact from similar provisions in SB 823 (LR 4216-01 2010) would range from $0 to Unknown since the county general revenue fund is based solely on sales tax revenues.

ASSUMPTION (continued)

Officials from **St. Louis County** assumed that similar provisions in SB 823 (LR 4216-01 2010) would not result in a large revenue reduction for their organization.

Officials from the **City of Centralia** assumed that similar provisions in SB 823 (LR 4216-01 2010) would have no fiscal impact on their organization.

Officials from the **City of Kansas City** assumed that similar provisions in SB 823 (LR 4216-01 2010) would have a negative fiscal impact on their organization but stated that they do not have sufficient data to determine the level of impact.

Officials from the **Parkway School District** assumed that similar provisions in SB 823 (LR 4216-01 2010) would have an unknown, but probably minimal impact on their organization.

Oversight will indicate an unknown loss to those state funds which receive sales and use tax revenues, and to local governments.

FISCAL IMPACT - State Government	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE			
Costs - Department of Economic Development			
Personal Service (1 FTE)	($35,803)	($44,253)	($45,580)
Fringe Benefits	($18,775)	($23,206)	($23,902)
Expense and Equipment	($8,983)	($4,293)	($4,422)
Total Costs - DED	($63,561)	($71,752)	($73,904)
FTE Change - DED	1 FTE	1 FTE	1 FTE
Costs - Department of Revenue			
Personal Service (1 FTE)	($19,467)	($24,061)	($24,783)
Fringe Benefits	($10,208)	($12,618)	($12,996)
Expense and Equipment	($6,023)	($518)	($534)
Total Costs - DOR	($35,698)	($37,197)	($38,313)
FTE Change - DOR	1 FTE	1 FTE	1 FTE
Loss - DED Retained withholding tax from projects in certified site zones, and by qualified suppliers	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Loss - Department of Revenue Sales tax exemptions for data storage facilities	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	**($99,259 to Unknown)**	**($108,949 to Unknown)**	**($112,217 to Unknown)**
Estimated Net FTE Change for General Revenue Fund	2 FTE	2 FTE	2 FTE

FISCAL IMPACT - State Government	FY 2011 (10 Mo.)	FY 2012	FY 2013
BLIND PENSION FUND			
Loss - reduced property tax assessment for equipment in qualified project.	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	**(Unknown)**	**(Unknown)**	**(Unknown)**
CONSERVATION COMMISSION FUND			
Loss - sales tax exemption	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**(Unknown)**	**(Unknown)**	**(Unknown)**
PARKS, AND SOIL AND WATER FUND			
Loss - sales tax exemption	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	**(Unknown)**	**(Unknown)**	**(Unknown)**
SCHOOL DISTRICT TRUST FUND			
Loss - sales tax exemption	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**(Unknown)**	**(Unknown)**	**(Unknown)**

FISCAL IMPACT - Local Government	FY 2011 (10 Mo.)	FY 2012	FY 2013
LOCAL GOVERNMENTS			
Loss - reduced property tax assessment for equipment in qualified project.	(Unknown)	(Unknown)	(Unknown)
Loss - sales tax exemption	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	**(Unknown)**	**(Unknown)**	**(Unknown)**

FISCAL IMPACT - Small Business

Small businesses that qualify for this program would be positively impacted from this proposal.

FISCAL DESCRIPTION

This proposal would change the laws regarding community improvement districts; technology business facilities; enhanced enterprise zones, certified site zones and dormant manufacturing plant zones; taxation; and tax exemptions for data storage facilities and would create the Manufacturing Jobs Act which provides incentives for qualified manufacturing companies and qualified suppliers that create or retain Missouri jobs.

COMMUNITY IMPROVEMENT DISTRICTS (Section 67.1461, RSMo)

These provisions would allow a community improvement district that includes or is located within a blighted area to contract with a private property owner for the original construction of buildings, structures, or improvements.

FISCAL DESCRIPTION (continued)

TECHNOLOGY BUSINESS FACILITIES (Section 67.2050)

The governing body of any county, city, incorporated town, or village would be allowed to engage in projects involving a technology business facility which is used for data processing, hosting, and related services or for Internet publishing and broadcasting and web search portals. The governing body would be authorized to:

(1) Carry out technology business facility projects for economic development;
(2) Accept grants from the federal and state governments for the project's purposes and enter into agreements which may be required by the grantor if the agreements are not contrary to Missouri laws;
(3) Receive any gifts and donations from private sources to be used for the project's purposes; and
(4) Enter into loan agreements, sell, lease, or mortgage to individuals, partnerships, or corporations any component of a technology business facility project.

Transactions involving the lease or rental of any project component are exempt from local sales taxes, and leasehold interests will not be subject to property taxes. If an individual or corporation transfers property for a project free of charge to the governing body, it will retain the right to have the governing body transfer the donated property back at no cost.

ENHANCED ENTERPRISE ZONES, CERTIFIED SITE ZONES, AND DORMANT MANUFACTURING PLANT ZONES (Sections 136.950 - 135.969)

These provisions would change the laws regarding enhanced enterprise zones, certified site zones, and dormant manufacturing plant zones. The provisions:

(1) Reduce the amount of time tax credits for expansions at approved enhanced business enterprises in enhanced enterprise zones can be received from 10 years to five years;

FISCAL DESCRIPTION (continued)

(2) Change the manner in which the tax credit's value is calculated for approved enhanced business enterprises within an enterprise zone. Currently, the tax credit is equal to $400 for each new business facility employee employed within an enhanced enterprise zone, an additional $400 for each new business facility employee who is a resident of an enhanced enterprise zone, an additional $400 for each new business facility employee who is paid a wage that exceeds the county average wage, and 2% of new business facility investment. These provisions would change the credit so that it equals up to 5% of the gross wages of each new business facility employee employed within the enhanced enterprise zone and up to 1% of new business facility investment if the average wage of the new jobs at the enhanced business enterprise exceeds the county average wage or up to 3% of the gross wages and up to 0.5% if the average wage is below the county average wage;

(3) Authorize a tax credit for up to five years if approved by the Department of Economic Development to a taxpayer who establishes a new business facility in a certified industrial zone approved or designated as an enhanced enterprise zone. A taxpayer who receives this tax credit cannot also receive tax credits from the new or expanded business facilities, enterprise zones, relocating a business to a distressed community, or Missouri Quality Jobs programs. To receive the tax credit, a taxpayer must employ at least nine new individuals at the new business facility and invest at least $500,000 during the taxable year in which the credit is claimed. If the average wage of the new jobs of the enhanced business enterprise exceeds the county average wage, the tax credit will be equal to 7% of the gross wages of each new employee at the facility and 2% of the investment made in the new business facility within an enhanced enterprise zone. If the average wage is below the county average wage, the tax credit is equal to 4% of the gross wages of each new employee at the facility and 1% of the investment made in the new business facility;

(4) Allow taxpayers to receive the tax credit for an existing facility which expands if they invest at least $500,000 and hire at least two additional employees during the tax year in which the credits are claimed. The substitute specifies the manner in which the taxpayer's investment in the original facility prior to expansion must be determined;

FISCAL DESCRIPTION (continued)

(5) Require $10 million of the $24 million annually authorized for enhanced business enterprises to be issued for certified industrial zones. The credits must be claimed for the taxable year in which commencement of commercial operations occurs at the new business facility and for each of the following nine years in which the credit is issued. The credits are refundable and transferable but cannot be carried forward;

(6) Define "certified site zone" as an area of real property that encompasses at least 50 acres which has been approved by the department as a certified site, has been found by the governing body to be blighted, and is located in a census tract which has a poverty rate of at least 15% or for which the median income is less than the statewide median income or the metropolitan median income for the metropolitan statistical area in which the zone is located, whichever is greater; and

(7) Defines "dormant manufacturing plant zone" as an area of real property that encompasses at least 250 acres that, within five years of the date of the notice of intent, was predominantly used for manufacturing or assembly and employed at least 3,000 individuals but has since ceased all activity; has been found by ordinance of the governing body to be a blighted area and designated for redevelopment; is located in a census tract with a poverty rate of 15% or more or the median household income is below the statewide median household income or the metropolitan median household income for the metropolitan statistical area in which the property is located, according to the United States Census Bureau; or involves at least $1 million in funding from a federal agency to facilitate the property's redevelopment.

TAXATION (Sections 137.115 and 144.054)

These provisions would specify that tools, telecommunications equipment, power production and transmission machinery and equipment, data processing machinery and equipment, and other machinery and equipment that can be used by any company which is located within certain enhanced enterprise zones will be assessed and valued for purposes of taxation at one-half of 1%. These tools, equipment, machinery, and commercial vehicles would also be exempt from all state and local sales and use taxes.

FISCAL DESCRIPTION (continued)

TAX EXEMPTION FOR DATA STORAGE FACILITIES (Section 144.810)

These provisions would authorize a state and local sales and use tax exemption for all machinery, equipment, computers, electrical energy, gas, water, and other utilities including telecommunication services used in new and existing data storage centers and server farm facilities. An exemption would also be authorized for the purchase of tangible personal property for the construction, repair, or remodeling of a new data storage center or server farm facility. The Department of Economic Development and the Department of Revenue would be authorized to conduct random audits to ensure compliance with the requirements for state and local sales and use tax exemptions authorized under the substitute.

MANUFACTURING JOBS ACT (Sections 620.1910 and 620.1881)

These provisions would:

(1) Define "qualified manufacturing company" as a business that:
  - (a) Manufactures goods at a facility in Missouri;
  - (b) Makes a capital investment of at least $75,000 per retained job at the facility for the manufacture of a new product within two years of beginning to retain withholding taxes or makes a capital investment of at least $50,000 per retained job at the facility for the modification or expansion of an existing product within two years of beginning to retain withholding taxes;
  - (c) Manufactures a new product or has commenced making capital improvements to the facility to manufacture a new product or modifies or expands the manufacture of an existing product or has commenced making capital improvements to the facility to manufacture an existing product; and
  - (d) Continues to manufacture these goods for the withholding period in which the company may receive benefits under this program;

FISCAL DESCRIPTION (continued)

(2) Define "qualified supplier" as a company that:
  (a) Derives more than 10% of its total annual revenues from sales to a qualified manufacturing company;
  (b) Adds five or more new jobs;
  (c) Pays wages for new jobs that are equal to or exceed the county average wage for Missouri as determined by the Department of Economic Development using the National American Industry Classification System (NAICS) industry classifications but are not less than 60% of the statewide average wage; and
  (d) Provides health insurance to employees and pays at least 50% of the insurance premiums;

(3) Require the Department of Economic Development to respond with an approval or rejection within 30 days to a qualified manufacturing company or qualified supplier who provides a notice of intent to receive benefits under this program. Failure of the department to respond will result in the notice of intent being deemed approved;

(4) Allow a qualified manufacturing company beginning January 1, 2012, upon approval of a notice of intent by the department, to retain 100% of the withholding taxes from retained jobs for 10 years if it manufactures a new product or to retain 50% of withholding taxes from retained jobs for seven years if it modifies or expands the manufacture of an existing product;

(5) Allow a qualified manufacturing company to remain eligible to participate in the Missouri Quality Jobs Program for any new jobs for which it does not retain withholding taxes if it meets the other requirements for that program but prohibits a qualified manufacturing company from simultaneously receiving benefits from:
  (a) Business use incentives for large-scale developments (Sections 100.700 - 100.850);
  (b) New or expanded business facilities (Sections 135.100 - 135.150);
  (c) Enterprise zones (Sections 135.200 - 135.286);
  (d) Relocation of a business to a distressed community (Section 135.535); or
  (e) Rural empowerment zones (Sections 135.900 - 135.906);

FISCAL DESCRIPTION (continued)

(6) Allow a qualified supplier, upon approval of a notice of intent by the department, to retain 100% of the withholding taxes from new jobs for three years. If the qualified supplier pays wages for the new jobs that are equal to or greater than 120% of the county average wage for Missouri as determined by the department using NAICS industry classifications, it can retain the withholding taxes for five years. A qualified supplier would be prohibited from simultaneously receiving benefits from:
  (a) Business use incentives for large-scale developments (Sections 100.700 - 100.850);
  (b) New or expanded business facilities (Sections 135.100 - 135.150);
  (c) Enterprise zones (Sections 135.200 - 135.286);
  (d) Relocation of a business to a distressed community (Section 135.535);
  (e) Rural empowerment zones (Sections 135.900 - 135.906);
  (f) Enhanced enterprise zones (Sections 135.950 - 135.970); or
  (g) Missouri Quality Jobs Program (Section 620.1881);

(7) Limit the amount of retained withholding taxes authorized under the program for any one qualified manufacturing company to $10 million per year and limit the aggregate amount of retained withholding taxes authorized under the program to $15 million per year;

(8) Specify that if a qualified manufacturing company is utilizing withholding taxes from jobs at the facility for any other state program, the taxes will first be credited to the other state program before beginning to accrue to this program.

  The other state programs include, but are not limited to:
  (a) New jobs training (Sections 178.892 - 178.896);
  (b) Job retention (Sections 178.760 - 178.764);
  (c) Real Property Tax Increment Allocation Redevelopment Act (Sections 99.800 - 99.865); or
  (d) Missouri Downtown and Rural Economic Stimulus Act (Sections 99.915 - 99.980);

FISCAL DESCRIPTION (continued)

(9) Specify that any taxpayer who is awarded benefits under this program and knowingly hires individuals who are not allowed to work legally in the United States will immediately forfeit these benefits and repay the state an amount equal to any withholding taxes already retained;

(10) Specify that taxpayers awarded benefits under the program will not be required to obtain affidavits from subcontractors regarding the employment of illegal immigrants;

(11) Require a qualified manufacturing company that fails to make the required capital investment within two years to cease retaining any withholding tax with respect to jobs at the facility, repay all withholding tax previously retained with interest of 5% per year, and forfeit all rights to retain withholding tax for the remainder of the withholding period. If the failure to make the capital investment is due to economic conditions beyond the company's control, the department director may suspend the right to retain withholding tax one time for up to three years;

(12) Require a qualified manufacturing company that discontinues the manufacturing of a new product without replacing it with a subsequent or additional new product manufactured at the facility during the withholding period to cease retaining any withholding tax with respect to jobs at the facility and to forfeit all rights to retain withholding tax for the remainder of the withholding period;

(13) Require the department to submit an annual report by March 1 to the General Assembly with information on the participating companies and suppliers, the amount of benefits provided, the estimated net state fiscal impact, and the number of new and retained jobs; and

(14) Require $15 million of the $80 million Quality Jobs Program annual cap to be used for retaining withholding tax by all qualified manufacturing companies under the Manufacturing Jobs Act.

The provisions regarding the Manufacturing Jobs Act would expire six years from the effective date.

SOURCES OF INFORMATION

Department of Economic Development
Department of Revenue
Department of Insurance, Financial Institutions and Professional Registration
Office of Administration - Budget and Planning
Office of the Secretary of State

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