

HCS HB 1709 -- MISSOURI WORKS PROGRAM

SPONSOR: Zerr (Hough)

COMMITTEE ACTION: Voted "do pass" by the Committee on Economic Development by a vote of 20 to 0.

This substitute establishes the Missouri Works Program which combines four existing business incentive programs and provides tax incentives for job creation, retention, and capital investment.

The program is to provide tax incentives in the form of retained withholding taxes and refundable income and financial institutions tax credits for qualified companies. The program provides both entitlement and discretionary benefits for qualified companies that offer health insurance to all employees and pay at least 50% of the premiums. Tax credits provided under the program are fully transferrable and must be used within one taxable year following the taxable year in which they are issued.

A qualified company that creates 20 or more new jobs or five or more jobs in a rural area with an average wage equal to or in excess of 90% of the county average wage will be entitled to retain withholding taxes from new payroll for a period of five years. The company will also be entitled to tax credits equal to up to 2% of new payroll to be issued each year for five years if the combined tax credit and retained withholding benefits do not exceed 5% of the new payroll in any year. The Department of Economic Development is given the discretion to issue the company additional tax credits, equal to up to 4% of payroll, for five years if the total amount of all benefits received does not exceed 9% of new payroll annually. Discretionary tax credits authorized by the department cannot exceed the projected net fiscal state benefit.

A qualified company may be eligible to receive benefits if the department determines that there is a significant probability that the company would relocate. The company must agree to retain at least 125 jobs for 10 years and make capital investments equal to 50% of the total benefits available. The benefits cannot exceed the amount of withholding taxes that would have been withheld and are available for 10 years.

If a qualified company is in a targeted industry and it creates 10 or more new jobs with an average wage equal to or in excess of 90% of the county average wage, it will be entitled to retain withholding taxes from new payroll for a period of five years. The company will also be entitled to tax credits equal to up to 3% of new payroll to be issued each year for five years if the

combined tax credit and retained withholding benefits do not exceed 6% of the new payroll in any year. The department has the discretion to issue the company additional tax credits, equal to up to 6% of new payroll for five years if the total amount of all benefits received does not exceed 12% of the new payroll in any year. Discretionary tax credits authorized by the department cannot exceed the projected net fiscal state benefit.

A qualified company located within an enhanced enterprise zone that creates two or more new jobs with an average wage equal to or in excess of 80% of the county average wage and makes a capital investment of at least \$100,000 will be entitled to retain withholding taxes for a period of five years.

A qualified company that is located within a dormant manufacturing zone and creates two or more new jobs with an average wage equal to or in excess of 80% of the county average wage will be entitled to retain withholding taxes for a period of five years.

Any qualified company that is an existing Missouri business and meets the conditions under the provisions of the program will be entitled to retain withholding taxes for an additional year.

The department is required to respond to a written request for a proposed benefit award under the program within five business days of the receipt of the request. The response must contain a proposal of benefits or a written refusal stating the reasons for the refusal. Failure by the department to respond will result in it being deemed approved. Beginning January 1, 2013, the department must provide quarterly reports on the program to the General Assembly, including a listing of all approved and disapproved applicants and the department's response time to requests for proposed benefit awards. A qualified company that receives benefits under the program will be required to provide annual reports to the department in order to document compliance with all applicable requirements.

Beginning August 28, 2012, no new benefits can be authorized for any project that has not already been approved by the department under the Development Tax Credit Tax Program, the Rebuilding Communities Tax Credit Program, the Enhanced Enterprise Zone Tax Credit Program, and the Missouri Quality Jobs Program.

The total amount of all tax credits authorized for each fiscal year under the Compete Missouri Program including any outstanding authorizations for tax credits under the other four specified programs cannot exceed:

(1) \$111 million for Fiscal Year 2013;

(2) \$126 million for Fiscal Year 2014; and

(3) \$141 million for Fiscal Year 2015 and each subsequent fiscal year.

The provisions of the substitute expire six years after the effective date.

FISCAL NOTE: Estimated Net Effect on General Revenue Fund of an income of \$0 to a cost of Unknown in FY 2013, an income of \$0 to a cost of Unknown greater than \$3,000,000 in FY 2014, and an income of \$0 to a cost of Unknown greater than \$18,000,000 in FY 2015. No impact on Other State Funds in FY 2013, FY 2014, and FY 2015.

PROPOSERS: Supporters say that the bill will combine a number of existing economic development programs that will give the Department of Economic Development greater flexibility in targeting the incentives that will assist in attracting business development in various areas of the state.

Testifying for the bill were Representative Hough; Department of Economic Development; Missouri Economic Development Council; Missouri Chamber of Commerce; St. Louis Regional Chamber and Growth Association; Greater Kansas City Chamber of Commerce; and Associated Industries of Missouri.

OPPOSERS: There was no opposition voiced to the committee.