COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1838-07
Bill No.: HCS #2 for HB 698
Subject: Tax Credits; Economic Development; Economic Development Department
Type: Original
Date: April 11, 2013

Bill Summary: This proposal modifies a number of tax incentive programs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(Unknown greater than $11,735,019)	(Unknown greater than $49,475,221)	(Unknown greater than $65,476,661)
Total Estimated Net Effect on General Revenue Fund	**(Unknown greater than $11,735,019)**	**(Unknown greater than $49,475,221)**	**(Unknown greater than $65,476,661)**

Notes:

The Film Production Tax credit has an annual cap that could raise the above stated revenue reduction by no more than $3,000,000 per year.

The reduction in the annual cap for Low Income Housing Tax Credits (§135.352) could result in savings starting in FY 2017 ($6.7 million) that could incrementally increase to $33.5 million in FY 2021.

The Missouri Works programs would not start to show impact until after FY 2016.

Note: The fiscal note 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.

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 37 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
New Markets Guarantee *	$0	$0	$0
Conservation	$0	$0	$0 or (More than $100,000)
Parks, Soil & Water	$0	$0	$0 or (More than $100,000)
School District	$0	$0	$0 or (More than $100,000)
MO Agriculture and Small Business Development Authority	$0	($1,479,782)	($1,479,782)
Total Estimated Net Effect on Other State Funds	**$0**	**($1,479,782)**	**(More than $1,479,782)**

* Income and expenses net to zero.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
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 2014	FY 2015	FY 2016
Local Government	**$0**	**$0**	**$0 or (More than $100,000)**

FISCAL ANALYSIS

ASSUMPTION

§67.2050 - Technology Business Facilities
Officials from the **Office of Administration - Budget and Planning** (**BAP**) assume this proposal would not impact General or Total State Revenue.

In response to similar legislation filed this year, HB 222, officials from the **Department of Revenue (DOR)** assumed this proposal would specifically exempt transactions involving the lease or rental of any components of a project from local sales tax law. In addition, leasehold interests would not be subject to property tax. Payments in lieu of taxes expected to be made by any lessee of the project would be applied in a specified manner.

The governing body could dispose of property, buildings, or plants to private persons or corporations upon approval by the governing body. A private person or corporation that transfers property to the municipality for a technology business facility project at no charge would retain the right to have the municipality transfer the property back to the person or corporation at no cost. The DOR response did not indicate any fiscal impact to their organization.

Oversight did not receive any other responses specifically related to this provision. 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, and assumes that any reduction in state revenue from local government sales tax collection charges would be minimal.

Oversight further 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.

§99.1205 Distressed Area Land Assemblage
Officials at the **BAP** assume this proposal modifies the Distressed Areas Land Assemblage tax credit. There is a $30 million annual cap and a new $95 million aggregate for the period of 8/28/13 through 8/28/2019, therefore General and Total State Revenues could be lowered. This program may encourage other economic activity, but BAP does not have data to estimate the induced revenues.

In response to a similar legislation filed this year (HB 423), officials at the **Department of Economic Development** (**DED**) assumed this proposal revises the Distressed Areas Land Assemblage Tax Credit Act under Section 99.1205 which is administered by DED's Division of Business and Community Services. The proposal revises several program definitions, the

ASSUMPTION (continued)

process and procedures for issuance of tax credits, and increases the annual cap of tax credits from $20 million to $30 million. The language is revised so that tax credits approved prior to August 28, 2013 would not count against the $95 million aggregate cap. The sunset date is extended from August 28, 2013, to August 28, 2019. The proposal may increase the tax credit issuance for the program; therefore, DED assumes an unknown negative impact over $100,000 as a result of the proposal.

In response to a similar legislation filed this year (HB 423), officials at the **DOR** assume there is no fiscal impact from this proposal.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Distressed Areas Land Assemblage tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Certificates Issued (#)	3	1	2
Projects (#)	1	1	1
Amount Issued	$20,000,000	$7,980,875	$3,269,623
Amount Redeemed	$6,731,635	$13,534,347	$7,558,203

Oversight assumes this tax credit was to sunset on August 28, 2013 (FY 2014). This proposal extends the tax credit; therefore, **Oversight** will show a loss to state revenue for the credits issued in FY 2015 and FY 2016. This proposal establishes a $30 million annual cap. **Oversight** will reflect a loss of revenue to the State as $0 to the annual cap.

§100.850 BUILD
Officials at **BAP** assume this proposal reduces the cap on this program from $25 million to $10 million annually. The average of authorizations over the last three years is $14.7 million. Based on data provided by DED, BAP estimates the increase to general and total state revenues as below:

FY 2014 $0
FY 2015 $0
FY 2016 ($100,000)
FY 2017 ($300,000)
FY 2018 ($400,000)
FY 2019 ($400,000)

ASSUMPTION (continued)

Officials at the **Missouri Development Finance Board** (**MDFB**) assume this proposal affects the BUILD program which is administered jointly by DED and MDFB. BUILD is an amortization of tax credits awarded to a company spread over a 15 year period. The credits are used to offset the cost of expansion of facilities that meet certain job creation standards. Currently, the Board can authorize an aggregate of $25 million in tax credits annually. The aggregate is the accumulation of all amortization for all projects active and outstanding.

The proposed legislation removes the term aggregate from the statutes and states that starting after January 1, 2014 the Board can authorize no more than $10 million dollars in credits annually. The proposed legislation changes the method in which the Board tracks authorizations from aggregates to be issued within a given fiscal year to authorizations made.

Currently DED has $16.3 million in projects pending final approval. Legislation could prohibit DED and the Board from honoring preliminary authorization of all of the proposed projects due to the fact they have not received final authorization. In addition, DED has an additional $71.2 million in projects proposed that have not received a preliminary authorization. Limitations on the amount that can be authorized could impact these companies moving forward with expansions and job creation in Missouri.

Based upon the current authorized, pending authorized, and proposed authorized, MDFB estimates that no more than $15 million will be issued and redeemed annually over the next 9 years and no more than $21 million will be issued and redeemed over the subsequent 8 years by this program if the current program cap remains unchanged.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the BUILD tax credit program had the following activity:

	FY 2010	FY 2011	FY 2012
Amount Issued	$9,765,144	$10,150,244	$9,084,677
Amount Redeemed	$8,317,379	$10,976,914	$6,591,948

Oversight assumes this part of the proposal changes the annual cap on the program from $25 million to $10 million starting January 1, 2014 (FY 2014). Oversight further assumes the new cap placed on this program is larger than the average amount currently issued ($8,422,005); therefore, changing the cap on the program would not impact state revenue.

ASSUMPTION (continued)

§135.305 Wood Energy
Officials at the **BAP** assume this proposal extends the sunset and places a $2 million cap on this program. This will lower General and Total State Revenue.

Oversight notes that according to the Tax Credit Analysis submitted by the Department of Natural Resources regarding this program, the Wood Energy Producer tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Issued	$3,204,481	$3,269,364	$3,060,710
Amount Redeemed	$1,546,453	$3,818,378	$2,282,401

Oversight assumes this tax credit was to expire on June 30, 2013 (FY 2013) and did not have an annual cap. This part of the proposal extends this credit and adds an annual cap of $2 million annually. Oversight will reflect the amount of reduced revenue to the State as equal to the new annual cap ($2,000,000).

§§135.350 and 135.352 Low Income Housing
Officials at **BAP** assume this proposal places a $138 million cap on the combined low income housing tax credits. The average of authorizations over the last three years is about $141.3 million, so this proposal may reduce authorizations by about $3.3 million. However, because of the long lag between authorizations and redemptions, it will be several years before savings are realized.

Officials at the **Missouri Housing Development Commission** (**MHDC**) assume this proposal caps annual authorizations for the 9% MOLIHTC ($135 million) and the 4% MOLIHTC ($3 million, cumulative total for ten years, $30 million) starting in FY 15. The proposal directs the General Assembly to review those caps every five years. The table below reflects the savings to General Revenue from FY 15 to FY 20 from the new caps in the proposed language. MHDC assumes the current FY allocation as a base for estimating the savings - for FY 13 MHDC has $13.5 million for the 9% MOLIHTC and $6 million for the 4% MOLIHTC for a total of $19.5 million available for authorizations.

ASSUMPTION (continued)

MHDC also assumes the estimated savings for the MOLIHTC would begin in FY 17 taking into account the lag time between authorization, issuances and redemptions.

Fiscal Year	MOLIHTC
2015	$0
2016	$0
2017	$3,000,000
2018	$6,000,000
2019	$9,000,000
2020	$12,000,000
2021	$15,000,000

Oversight notes according to the Tax Credit Analysis submitted by the Missouri Housing Development Commission regarding this program, the Low Income Housing tax credit program had the following activity:

	FY 2010	FY 2011	FY 2012
Certificates Issued (#)	303	212	457
Projects (#)	35	26	42
Amount Authorized	$149,068,200	$102,960,000	$171,894,310
Amount Issued	$155,703,625	$156,016,305	$164,956,766
Amount Redeemed	$142,141,458	$143,055,387	$164,208,547

Oversight notes this proposal would reduce the issuance of both Missouri Low Income Housing Tax Credits to a combined $138 million annually. The three year average issuance of this credit is $158,892,232. Oversight assumes the amount of increased revenue to the State as equal to the difference between the average amount issued over the last five years and the new cap could be up to $20,898,232. However, due to the lag time between awarding of projects, construction, and finally issuance of credits, Oversight will use MHDC's estimated timing ($0 in Fiscal Years 2014, 2015, and 2016) of impact for the fiscal note.

Oversight assumes subsection 135.352.8 prohibits the stacking of historic preservation tax credits with low-income housing tax credits. As a result, Oversight assumes this change could result in a reduced amount of tax credits being issued in future fiscal years. Oversight will reflect a projected increase in net revenues as Unknown.

ASSUMPTION (continued)

§135.460 Youth Opportunities
Officials at **BAP** assume this proposal limits authorizations to $5 million annually. The authorizations over the last three years averaged $4.8 million; therefore this proposal will have a minimal impact on General and Total State Revenue.

Oversight notes according to the Tax Credit Analysis submitted by Department of Economic Development regarding this program, the Youth Opportunities tax credit program had the following activity:

	FY 2010	FY 2011	FY 2012
Amount Issued	$4,406,277	$4,917,600	$4,152,311
Amount Redeemed	$4,405,158	$3,589,991	$4,979,138

Oversight assumes this part of the proposal places a $5 million annual cap on this tax credit. Oversight further assumes the cap placed on this program is larger than the average amount currently issued ($4,793,395); therefore, placing a cap on the program would not impact state revenue.

§135.484 Neighborhood Preservation
Officials at **BAP** assume this proposal reduces the cap on the Neighborhood Preservation program from $16 million to $8 million annually. The average of authorizations over the last three years was $9.4 million, so this proposal may increase General and Total State Revenue.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Neighborhood Preservation tax credit program had the following activity:

	FY 2010	FY 2011	FY 2012
Amount Issued	$5,987,555	$2,431,678	$969,307
Amount Redeemed	$6,739,113	$4,427,639	$2,159,654

Oversight assumes this part of the proposal changes the annual cap on the program from $16 million to $8 million. Oversight further assumes the new cap placed on this program is larger than the average amount currently issued ($4,248,174); therefore, changing the cap on the program would not impact state revenue.

ASSUMPTION (continued)

§135.679 Qualified Beef
Officials at **BAP** assume this proposal reduces the cap on the Qualified Beef program from $3 million to $1 million annually. The average of authorizations over the last three years was $0.1 million, so this proposal will have minimal impact.

In response to a previous version of this proposal, officials at the **Department of Agriculture** assumed there was no fiscal impact from this proposal.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Agriculture regarding this program, the Qualified Beef tax credit program had the following activity:

	FY 2010	FY 2011	FY 2012
Amount Authorized	$43,028	$29,482	$296,410
Amount Issued	$43,028	$29,482	$296,410
Amount Redeemed	$0	$9,447	$219,062

Oversight assumes this part of the proposal changes the annual cap on the program from $3 million to $1 million starting July 1, 2014 (FY 2015). Oversight assumes the new cap placed on this program is larger than the average amount currently issued ($122,973); therefore, changing the cap on the program would not impact state revenue.

§135.680 New Markets
Officials at the **BAP** assumed this proposal extends the sunset on the New Markets Tax Credit until 8/28/19. The modified program has an annual cap of $15 million. General and total State Revenue may be reduced by this amount.

This proposal establishes the New Markets Performance Guarantee Fund to accept and hold refundable deposits paid by qualified community development entities (CDE). These deposits would be returned to the CDEs if program requirements are met; however, this would be an increase to Total State Revenue.

In response to similar legislation filed this year, HB 227, officials at the **DED** assumed this proposal reauthorizes the New Markets Tax Credit program, which maintains the $25 million cap per fiscal year. New language provides for a small fee to be collected from the Community Development Entities to be used to cover the administration of the program. The fee is collected in the New Markets Performance Guarantee Fund. If the CDE meets the requirements of the

ASSUMPTION (continued)

investments then DED refunds the fee. The program has a 6-year sunset unless reauthorized by the General Assembly and if reauthorized then an automatic 12-year sunset.

DED assumed an unknown negative impact over $100,000 offset by an unknown positive impact as a result of economic development generated by the program.

In response to a previous version of this proposal, officials at **Office of State Treasurer** assume there is no fiscal impact from this proposal.

In response to similar legislation filed this year, HB 227, officials at the **DOR** assume there is no fiscal impact from this proposal.

If adopted, this proposal would go into effect on August 28, 2013, and therefore the earliest issuance of the credits could occur as follows:

Fiscal Year	Credit Allowance Date	Applicable Percentage Rate
2014	Contribution Made - 1st credit year	0%
2015	2nd credit year	0%
2016	3rd credit year	11%

Oversight assumes the New Markets Tax Credit is to sunset on September 4, 2013. This proposal creates a new tax credit, similar to the previous credit, that will have a utilization cap of $15 million. Since this proposal begins in August 2013, the first credits could possibly be redeemed beginning in FY 2016, and therefore Oversight will reflect a loss to state revenue for the credits that could be redeemed in FY 2016. Oversight will reflect the loss of revenue to the State as $0 to the $15 million cap.

This proposal creates the New Markets Performance Guarantee Fund. **Oversight** is unsure how many qualified community development entities will apply for this tax credit in the future and have to pay the fee. Oversight will range the impact of this fund as $0 (no additional applicants) to Unknown. Oversight also assumes that all money received in the fund will be spent in accordance with this proposal.

ASSUMPTION (continued)

§135.700 Wine and Grape
Officials at **BAP** assume this proposal sets the cap on this credit at $0.2 million annually. The average of authorizations over the last three years was $0.09 million, so this proposal will have minimal impact.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Wine Producers and Grape Growers tax credit program had the following activity:

ASSUMPTION (continued)

	FY 2010	FY 2011	FY 2012
Amount Authorized	$54,085	$90,014	$111,568
Amount Issued	$54,085	$90,014	$104,522
Amount Redeemed	$112,057	$29,411	$61,598

Oversight assumes this part of the proposal places a $200,000 annual cap on this program starting July 1, 2014 (FY 2015). Oversight further assumes the new cap placed on this program is larger than the average amount currently issued ($111,737); therefore, placing the cap on the program would not impact state revenue.

§135.710 Alternative Fuels
Officials at **BAP** assume this proposal extends the sunset for this credit. This proposal will reduce General and Total State Revenue by less than $1 million.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Natural Resources regarding this program, the Alternative Fuels tax credit program had the following activity:

	FY 2010	FY 2011	FY 2012
Amount Issued	$0	$87,925	$91,365
Amount Redeemed	$0	$23,365	$45,690

This tax credit sunsets on August 28, 2014. **Oversight** assumes this part of the proposal extends the sunset until August 28, 2019. However, the provisions of this tax credit require that an applicant install the qualified alternative fuel vehicle prior to January 1, 2012, to receive the credit. Therefore, extending the sunset on this credit will not impact state revenue.

ASSUMPTION (continued)

§135.750 Film Production
Officials at **BAP** assume this proposal reduces the cap on this credit from $4.5 million to $3.0 million annually. This bill also extends the sunset from 11/28/13 to 8/28/2019. The average of authorizations over the last three years was $0.6 million, so this proposal may have minimal impact, but a single large project could reduce General and Total State Revenues up to $3.0 million.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Film tax credit program had the following activity:

	FY 2010	FY 2011	FY 2012
Amount Issued	$5,181,512	$1,807,030	$139,070
Amount Redeemed	$1,925,158	$1,563,218	$4,839,217

Oversight assumes this part of the proposal changes the annual cap on the program from $4.5 million to $3 million starting January 1, 2014 (FY 2014). Additionally, this credit was to sunset on November 28, 2013 but is being extended by this part of the proposal. Oversight assumes the new cap placed on this program is larger than the average amount currently issued ($1,786,880); therefore, changing the cap on the program would not impact state revenue. However, extending the program beyond November 28, 2013 could impact the state in FY 2015 and FY 2016. Oversight will reflect a potential loss of state revenue from this program of the tax credit issuance average.

§135.1000 Limits on all tax credits
Oversight assumes this part of the proposal requires the Legislature to review all tax credits every five years beginning on January 1, 2014. Oversight notes the review would begin in 2019, which is outside the fiscal note period; therefore, for fiscal note purposes, this provision will not be shown as having an impact on state revenue.

ASSUMPTION (continued)

§143.119 Self- Employed Health Insurance
Oversight notes according to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Self-Employed Health Insurance tax credit program had the following activity:

	FY 2010	FY 2011	FY 2012
Amount Redeemed	$1,517,004	$1,428,143	$1,847,045

Oversight assumes this part of the proposal repeals the issuance of credits. This program does not have an annual cap. Oversight will reflect the amount of increased revenue to the State equal to the average amount issued over the last five years ($1,512,185) starting in FY 2015.

§§135.1550 - 135.1575 Missouri Export Incentive Act
Officials at **BAP** assume this proposal authorizes the Missouri Export Incentive Act, which would make qualifying freight forwarders eligible to receive air export tax credits based on the weight of specified cargo shipments. The total amount of credits available is $60 million, which is the aggregate total allocated for the eight year duration of the program. This proposal could therefore reduce General and Total State Revenues by that amount. This proposal may also encourage other economic activity. BAP cannot estimate the induced revenues.

In response to similar legislation filed this year, HB 221, officials at the **DED** assumed this proposal establishes the Freight Forwarders Incentive Act which allows an air export tax credit to freight forwarders for a shipment of cargo on an outbound flight from the St. Louis airport. The air export tax credit has an aggregate cap of $60 million with a $7.5 million annual cap. Tax credits are based on 40 cents per chargeable kilo. These credits may be transferred, sold and carried forward. The proposal requires DED to establish procedures to allow freight forwarders to receive air export tax credits within twenty business days of the date of the filing of the application, which the freight forwarder must file within 120 days of shipment. The program automatically sunsets sixteen years after the effective date, unless reauthorized by the General Assembly.

DED assumes a negative fiscal impact in excess of $100,000; however this negative impact would be offset by an unknown positive economic benefit as a result of the increase in economic activity generated by program. DED would require one additional FTE to administer the program due to the anticipated amount of administration involved. The FTE would be an Economic Development Incentive Specialist III ($41,016) and be responsible for reviewing and approving the applications for the program to determine eligibility, establishing procedures, reviewing the tax credit applications to make sure they meet the criteria of the program, drafting

ASSUMPTION (continued)

and sending the tax credit awards, and ensuring compliance with the program.

In response to a similar legislation filed this year, HB 221, officials at the **DOR** assume they would need to make form changes and changes to various tax filing systems. The cost is estimated at $22,722 for $840 FTE hours.

DOR's Personal Tax Division assumes the need for one Revenue Processing Technician I ($25,884) for every 4,000 credits processed. The Corporate Tax Division will need one Revenue Processing Technician I ($25,884) per 6,000 additional tax credit redemptions.

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

In response to similar legislation filed last year, HB 1476, **Missouri Department of Transportation** stated the proposal would have no fiscal impact.

Oversight assumes the first time a Freight Forwarder can apply for the tax credit is July 1, 2013; so the first time the Freight Forwarder could claim the credits would be on their calendar year 2013 tax return filed after January 1, 2014. Therefore, Oversight will show the impact of this proposal beginning in Fiscal Year 2014, as $0 (no credits issued) to the annual $7.5 million cap.

DED is allowed to issue credits in excess of the $7.5 million cap each year, which would come off the amount that can be issued in the future. Therefore, **Oversight** will range the fiscal impact up to the amount of the cap, plus a potential unknown amount.

§ 144.810 Data Storage Center
Officials at **BAP** assume this proposal defines the following data center projects:

> Expanding facility - $5 million investment within 12 months, and 5 new jobs within 24 months.
> New facility - a new facility that does not replace an existing facility, with investment of $37 million and the creation of 30 new jobs over 36 months.

ASSUMPTION (continued)

This proposal provides:

a state and local sales tax exemption for electrical energy, gas, water, other utilities, machinery, equipment, computers, and construction materials used in a new data center.
a state and local sales tax exemption for electrical energy, gas, water, other utilities, machinery, equipment, computers, and construction materials used by expanding data storage centers, to the extent the amount of new inputs exceed current input levels.

In either case, the amount of any exemption provided under this subsection shall not exceed the projected net fiscal benefit to the state over a period of ten years. This proposal will not impact current General and Total State Revenues but future revenues may be forgone. This program may encourage other economic activity, but BAP does not have data to estimate the induced revenues. DED may have such an estimate.

In response to similar legislation filed this year, HB 222, officials from **DED** assumed this proposal would create state and local sales and use tax exemptions for data storage center facilities. The data storage centers facility projects which seek a tax exemption would be required to submit a project plan to DED, and DED would be responsible for certifying the tax exemption in coordination with the Department of Revenue. Exemptions would be limited to the projected net fiscal benefit to the state over a period of ten years, as determined by DED. The proposed legislation would also require random audits to ensure compliance with the intent the data storage centers indicated in their project plan.

DED is unable to determine the exact impact the proposed legislation would have on Total State Revenue and therefore anticipates an unknown impact.

DED would be responsible for determining eligibility for the exemption approval process and the compliance and auditing functions, and anticipates the need for one additional FTE Economic Development Incentive Specialist III. The new employee would be responsible for reviewing project plan applications to make sure they meet the criteria of the program, and conducting random audits to ensure compliance with the program.

The DED response included one additional FTE; with the applicable benefits and expense and equipment the estimated cost was $60,868 for FY 2012, $66,246 for FY 2015, and $66,965 for FY 2016.

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

ASSUMPTION (continued)

implemented which created a substantial increase in the DED workload, resources could be requested through the budget process.

In response to similar legislation filed this year, HB 222, officials from **DOR** assumed this proposal would reduce state revenues.

DOR would need to make form changes and computer programming changes to various tax systems. These changes are estimated to cost $31,594 based on $1,168 FTE hours.

DOR officials assume that Collections & Tax Assistance (CATA) would require one additional FTE Revenue Processing Technician I ($25,884) per 15,000 additional contacts annually to the registration section, with CARES equipment and agent license, and one additional FTE Revenue Processing Technician I ($25,884) per 4,800 additional contacts annually to the tax assistance offices, with CARES equipment and agent license.

In addition, **DOR** officials assume Sales Tax would require one additional FTE (not specified) to complete amended returns and process the refunds, and one additional FTE Revenue Processing Technician I ($25,884) for completion of amended returns and processing refunds.

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 proposals were implemented, resources could be requested through the budget process.

Officials from **St. Louis County** assume that any loss from this proposal would not be great but stated they can not define their sales tax revenue to this level of detail.

In response to a previous version of this proposal, officials from the **City of Columbia** stated that the city does not have any active data storage projects and could not provide an estimate of the fiscal impact.

In response to similar legislation filed this year, HB 222, officials from the **City of Kansas City** stated they were unable to determine the fiscal impact of this proposal, but revenue growth is assumed to exist through increased economic activity in the city.

City officials assumed there would be no net losses. While the city would lose sales and/or property tax revenues, depending on the nature of the project, those losses would be offset in

ASSUMPTION (continued)

their entirety (or exceeded) by increases in other revenues.

In response to a previous version of this proposal, officials at the **Parkway School District** assume there is no fiscal impact from this proposal.

In response to similar legislation filed this year, HB 222, officials from the **Francis Howell School District** assume this proposal would result in an unknown reduction in sales tax revenues.

Oversight notes that this proposal would require a minimum $37 million investment in a new facility within thirty-six months, or a minimum $5 million investment in an expanding facility within twelve months. The proposed project would require approval by DED which would conditionally certify the project to DOR. Upon completion of the project, DED would certify the project eligibility to DOR, and DOR would refund the sales tax paid on the project.

If the proposal became effective August 28, 2013, construction could begin late in FY 2014 and would likely not be completed until late in FY 2015. Refunds would not likely be certified and paid to project owners until FY 2016.

Oversight is not aware of any existing or planned projects which could qualify for the program, but if one new facility project was completed in time for a refund to be paid in FY 2016, the sales tax amounts could be computed as follows. For fiscal note purposes, Oversight assumes the entire $37 million investment would qualify for the exemption and has calculated the potential impact below.

Entity	Sales Tax Rate	Sales Tax
General Revenue Fund	3%	$1,110,000
Conservation Commission Fund	1/8%	$46,250
School District Trust Fund	1%	$370,000
Parks, Soil & Water Funds	1/10%	$37,000
Local Governments	Average 2.5%	$925,000

Oversight will indicate a fiscal impact for the General Revenue Fund for this proposal of $0 (no

ASSUMPTION (continued)

project qualifies for the exemption) or a revenue reduction of More than $1,000,000 (one or more projects qualify for the exemption) for FY 2016, and a range of $0 or a revenue reduction of

More than $100,000 for other state funds which receive sales tax revenues, and for local governments.

§ 208.770 Family Development Account
Officials at **BAP** assume this proposal sunsets this tax credit and that will increase General and Total State Revenues by about $10,000.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Family Development Account tax credit program had the following activity:

	FY 2010	FY 2011	FY 2012
Amount Issued	$25,000	$10,750	$0
Amount Redeemed	$3,000	$25,000	$10,616

Oversight assumes this part of the proposal terminates the issuance of these credits on July 1, 2014. This program had a $300,000 annual cap. Oversight will reflect the amount of increased revenue to the State equal to the average amount issued over the last five years ($12,750) starting in FY 2015.

§§ 253.545, 253.550, 253.557 and 253.559 Historic Preservation
Officials at **BAP** assume this proposal changes the word "may" to "shall", and limits Historic Preservation tax credit authorizations to $135 million, with an additional $10 million cap on small projects. During FY's 10-12, Historic Preservation tax credit authorizations averaged $93.6 million; therefore this proposal will have minimal impact on General and Total State Revenues.

Oversight assumes subsection 253.559.7 allows for the recapture of tax credits. Oversight will show an Unknown savings to the state from the recapture of tax credits.

In response to similar legislation filed last year, HB 1985, officials at the **DED** assumed this proposal revises the Historic Preservation Tax Credit program administered by BCS and reduces the annual cap from $140 million to $110 million starting July 1, 2013 (FY2014). Final applications would be required to include a cost and expenses certification, prepared by a

ASSUMPTION (continued)

licensed certified public accountant and would require DED to determine the final amount of eligible costs and expenses within 45 days. Specifically, the proposal adds subsection 10 which allows taxpayers to appeal any official decision, including all preliminary and final approvals and denials of approvals made by the DED or DNR regarding the Historic Preservation program, and allows them to submit their appeal to an independent third party appeals officer designated by DED.

Due to the anticipated amount of administration involved the DED would require three additional FTE's to administer the program. Two FTE would be Accountant III positions responsible for reviewing the final applications for the program to determine eligibility of expenses to make sure they meet the criteria of the program within the 45 day requirement. The third FTE would be an Economic Development Incentive Specialist III responsible for reviewing the tax credit appeal documents as submitted by the taxpayer and appeals officer, reviewing original application materials, responding to requests for information in regards to the appeals request, and attending meetings as needed.

DED assumes an unknown positive fiscal impact in excess of $100,000 due to the lower annual tax credit cap. This positive impact will be offset by an unknown negative impact.

Oversight assumes this proposal requires DED to establish rules for this program and application process by January 1, 2014. Oversight assumes that the rules would specifically identify the format of the information required to be supplied by the certified public accountant. Therefore, DED would be able to review the information submitted quickly and not need FTE to handle an extensive review.

Oversight assumes that it is unclear how many taxpayers would request an appeal. Oversight assumes that DED can absorb the duties of this proposal with existing resources. Should DED experience a measurable increase in its workload as a direct result of this proposal then DED could request additional FTE in future budget requests.

In response to similar legislation filed last year, HB 1985, officials at the **Department of Natural Resources** (**DNR**) assumed this proposal allows for an appeals process where taxpayers or authorized representatives to appeal any official decision including all preliminary and final approvals or denial of approvals made by the Department of Economic Development or the Department of Natural Resources. Legislation allows DNR to submit a written response to the appeal and allows DNR to appear at meetings with the appeals officer. The department is unable to estimate the number of appeals that may occur, therefore fiscal impact is unknown.

ASSUMPTION (continued)

Oversight assumes that it is unclear how many taxpayers would request an appeal. Oversight assumes that DNR can absorb the duties of this proposal with existing resources. Should DNR experience a measurable increase in its workload as a direct result of this proposal then DNR could request additional resources in future budget requests.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Historic Preservation tax credit program had the following activity:

	FY 2010	FY 2011	FY 2012
Certificates Issued (#)	219	161	178
Projects (#)	219	161	178
Amount Authorized	$99,510,175	$82,839,495	$98,591,346
Amount Issued	$107,229,218	$116,244,410	$105,272,651
Amount Redeemed	$108,064,200	$107,767,393	$133,937,747

Oversight assumes this part of the proposal changes the combined annual cap on this program's two credits to $145 (135 + 10) million starting July 1, 2014 (FY 2015). Oversight further assumes the new cap placed on this program is larger than the three year average amount currently issued ($109,582,093), therefore, changing the cap on the program would not impact state revenues.

§§ 348.273 and 348.274 Missouri Angel Investment Incentive Act
Officials at **BAP** assume this proposal creates the Missouri Angel Investment Incentive Act. BAP notes that section 348.273.4 caps the total amount of credits at $6 million. Therefore, this proposal may reduce General and Total State Revenues by this amount. This program may encourage other economic activity, but BAP does not have data to estimate the induced revenues. DED may have such an estimate.

In response to similar legislation filed this year, HB 191, officials at the **DED** assumed this part of the proposal creates the Missouri Angel Investment Incentive Act to be administered by the Missouri Small Business and Technology Development Centers, University of Missouri. DED is a recipient of the annual report for the program. As a result of the proposal, DED assumes an unknown negative fiscal impact over $100,000, offset by an unknown positive economic benefit based on the increase in economic activity.

ASSUMPTION (continued)

In response to similar legislation filed this year, HB 191, officials at the **University of Missouri** assumed this proposal would have no financial impact on the University.

In response to similar legislation filed this year, HB 191, officials at the **DOR** assumed this proposal would require changes to various tax systems. These changes are estimated to cost $22,722 for 840 FTE hours. Additionally, DOR's Personal Tax Division will need one Revenue Processing Technician I ($25,884) per 4,000 tax credits claimed and one Revenue Processing Technical I ($25,884) per 2,400 pieces of correspondence. DOR's Corporate Tax Division will need one Revenue Processing Technician I ($25,884) per 4,000 tax credits redeemed.

Oversight assumes DOR's Personal/Corporate Tax Divisions could absorb the responsibilities of this tax credit with existing resources. Should DOR experience the number of additional tax credit redemptions to justify another FTE, they could seek that FTE through the appropriation process.

Oversight assumes this proposal establishes an aggregate cap of $6,000,000. For fiscal note purposes, Oversight will reflect a revenue reduction of $0 (no credits issued) to $2,000,000 for each of the three years in the fiscal note to reach the $6 million aggregate cap in 348.273.4(3).

§348.434 Agricultural Product Utilization Contributor and New Generation Cooperative
In response to a previous version, officials at the **Department of Agriculture** assumed this proposal would cause a loss of tax credit fees in the amount of $1,479,782, for the Missouri Agriculture and Small Business Development Authority.

Officials at **BAP** assume this proposal reduces the authorizations for the Agricultural Product Utilization and New Generation Cooperative credits from a total of $6 million to $2 million. BAP notes the combined authorizations for these programs have averaged $2.47 million over the last three years. Therefore, this may increase General and Total State Revenues by $0.47 million.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Agriculture regarding this program, the Agricultural Product Utilization Contributor tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Authorized	$1,307,479	$1,362,230	$2,479,356
Amount Issued	$1,307,479	$1,356,255	$2,479,356
Amount Redeemed	$114,674	$466,048	$1,468,156

ASSUMPTION (continued)

Oversight notes according to the Tax Credit Analysis submitted by the Department of Agriculture regarding this program, the New Generation Cooperative Incentive tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Authorized	$2,563,644	$360,000	($652,500)
Amount Issued	$2,563,644	$360,000	$2,023,500
Amount Redeemed	$3,287,882	$1,984,424	$826,953

Oversight notes these two credits share a combined $6 million annual cap. This part of the proposal changes the combined $6 million cap into a combined $2 million annual cap, starting July 1, 2014 (FY 2015). Oversight notes the average amount issued over the last five years ($4,419,241) from these programs is higher than the new cap; therefore, Oversight will assume reducing the cap to $2 million annually will result in a savings of $2,419,214 ($4,419,241 - $2,000,000).

§ 447.708 Brownfield
Officials at **BAP** assume this proposal sunsets the Brownfield New Jobs and Investment tax credits program upon the effective date of this act. Based on prior redemptions, this proposal may increase General and Total State Revenues by $1.6 million annually.

Further, this proposal limits Remediation tax credits to $25 million. The 3 year average authorizations are about $10.2 million, so this proposal will have little impact on General and Total State Revenues.

In response to similar legislation filed this year, SB 120, officials at the **DED** assume this part of the proposal sunsets the Brownfield Redevelopment Tax Credit, including authorizations and redemptions, after the effective date of the act. Beginning July 1, 2013, the Brownfield Remediation Tax Credit program is capped at $25 million per fiscal year.

Oversight notes the Brownfield Redevelopment tax credit program is the umbrella program for Brownfield Jobs and Investment and Brownfield Remediation. The amounts authorized and issued below are for the combined programs. According to the Tax Credit Analysis submitted by

ASSUMPTION (continued)

the Department of Economic Development regarding this program, the Brownfield Redevelopment tax credit programs had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Issued	$15,882,806	$21,789,264	$8,101,093
Amount Redeemed	$19,240,495	$13,052,493	$18,628,028

Oversight assumes this part of the proposal places a new $25 million cap on this credit. In the last five years, the average amount of credits issued annually has been $18,416,301. Since this new cap is larger than the average amount currently issued, placing the cap on the program would not impact state revenue.

§ 620.1039 Qualified Research

Officials at **BAP** assume this proposal renews the Qualified Research Expense credit, and makes it an entitlement for certain types of research. The proposal is capped at $10 million per calendar year, from 1/1/14 to 12/31/20. This proposal will reduce General and Total State Revenues by this amount annually, up to $70 million in aggregate. This program may encourage other economic activity, but BAP does not have data to estimate the induced revenues. DED may have such an estimate.

In response to similar legislation filed this year, HB 620, officials at the **DED** assumed this proposal re-establishes the Qualified Research Expense Tax Credit program with a $10 million annual cap effective January 1, 2014, and extends the program through 2020. DED's Division of Business and Community Development is responsible for the administration of the tax credit program, which requires determining eligibility for the tax credit and also for ensuring compliance with the program. DED assumes the need for one additional FTE and related costs to administer the program. This FTE would be an Economic Development Incentive Specialist III and would be responsible for reviewing the tax credit applications to make sure they meet the criteria of the program, authorizing and issuing the tax credit awards, and ensuring compliance with the program. The annual calendar year cap for this tax credit is $10 million. DED assumes a $10 million per calendar year negative impact to Total State Revenue, which may be offset by an unknown positive economic benefit as a result of the economic activity generated by the program.

It is unclear how many taxpayers would be eligible for this credit; therefore, **Oversight** assumes DED would be able to absorb the work of this credit with existing FTE. Should the number of applicants reach the number where additional FTE would be needed, DED could request the FTE through the appropriation process.

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ASSUMPTION (continued)

In response to similar legislation filed this year, HB 620, officials at the **Department of Agriculture** and the **DOR** each assume there is no fiscal impact to their organization from this proposal.

Oversight assumes this proposal originally expired on December 31, 2004. This proposal restarts the tax credit and changes the cap to $10 million annually. Oversight will reflect a loss of revenue to the State as $0 (no additional credits issued) to the annual cap.

§§ 620.2005 - 620.2020 Missouri Works
Officials at the **BAP** assume this proposal disallows issuances under four current business incentive programs and creates one new incentive program. The cap for the new program is $50 million in FY 2014 and beyond. This proposal could therefore lower General and Total State Revenues by that amount. There may also be an impact to 18e.

The legislation disallows additional authorizations under the following tax credit programs:

Missouri Quality Jobs (620.1875 to 620.1890),
Enhanced Enterprise Zone (135.950 to 135.973),
Development (32.100 to 32.125, except section 32.112), and
Rebuilding Communities (135.535).

The aggregate cap on tax credits for the programs being phased out under this proposal totals at least $118 million annually. The negative impact noted above could be offset by the amount the sunset programs have been utilized historically.

In response to similar legislation filed this year, HB 620, officials at the **DED** assume part of the proposal revises the Enhanced Enterprise Zone program to allow the majority vote of members of the governing authority to adopt an ordinance or resolution to designate an Enhanced Enterprise Zone (EEZ). This removes DED from the authorization process of EEZs, which DED assumes will have an unknown positive impact.

This proposal creates the Buck Stops Here Economic Development Tax Credit Reform program to be administered by DED's Division of Business and Community Services (BCS). The program would operate in a similar fashion to the current Missouri Quality Jobs program by providing performance-based benefits in the form of retained withholding taxes and tax credits to qualified companies that create new jobs. The proposal also authorizes the award of additional discretionary tax credits to qualified companies that create jobs and investment that provide a net

ASSUMPTION (continued)

fiscal benefit to the state, similar to the existing BUILD program. The Buck Stops Here proposal mandates a positive net fiscal benefit to the state for any award of discretionary tax credits and requires DED to report quarterly to the General Assembly the positive net fiscal benefit of each project awarded, which will ensure that discretion is exercised in accordance with this directive.

The Buck Stops Here proposal phases-out four current business incentive tax credit programs, which include: Missouri Quality Jobs (620.1875), Enhanced Enterprise Zone (135.950), Development Tax Credit (32.100), and the Rebuilding Communities Tax Credit (135.535). Projects previously offered benefits under these programs may continue to receive such benefits, but no new awards may be made under these programs. The aggregate cap on tax credits for the programs being phased out under this proposal totals at least $118 million annually. The proposed Buck Stops Here program imposes a $90 million cap on tax credits. Any decision to reward additional incentives requires the signature of the Governor if the discretionary award is greater than $1 million dollars per year.

It is unknown how many qualified companies would seek and be eligible for benefits under this program. With respect to the entitlement benefits under this proposal, DED estimates an unknown positive fiscal impact of greater than $100,000, because projects awarded such benefits are anticipated to provide an overall net fiscal benefit to the state, even if not every individual project would have a net fiscal benefit to the state. Similarly, DED estimates a positive fiscal impact of greater than $100,000 for any discretionary tax credits awarded under this proposal because the award of any such tax credits is restricted to projects having a net fiscal benefit to the state.

In response to similar legislation filed this year (SB 323), officials at **DED** supplied Oversight with the following information. Recognizing the outstanding obligations under the current programs being phased out, the proposal reduces the annual statutory caps by the amount of the existing tax credit obligations under the current programs.

Fiscal Year	**Maximum Annual Tax Credit Cap**	**Obligated under Current Programs**	**Effective Annual Tax Credit Cap**
FY14	$50,000,000	$78,365,638	$0
FY15	$50,000,000	$80,533,177	$0
FY16	$50,000,000	$64,330,520	$0

In response to similar legislation filed this year, HB 620, officials at the **DOR** assumed this proposal would require form and computer programming changes to various tax systems. These changes are estimated to cost $36,247, for 1,340 FTE hours.

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ASSUMPTION (continued)

DOR assumes the Personal Tax Division will need one Revenue Processing Technician I ($25,884) per 4,000 additional tax credits redeemed. The Corporate Tax Division will need one Revenue Processing Technician I ($25,884) per 6,000 tax credits redeemed and one Revenue Processing Technician I ($25,884) per 7,800 pieces of additional withholding correspondence processed. The Withholding Division will need one Revenue Processing Technician I ($25,884) per 7,800 pieces of additional withholding corresponded processed.

Oversight assumes DOR's Personal/Corporate/Withholding Tax Divisions could absorb the responsibilities of this tax credit with existing resources. Should DOR experience the number of additional tax credit redemptions to justify another FTE, they could seek that FTE through the appropriation process.

In response to similar legislation filed this year, HB 620, officials at the **City of Columbia**, **City of Kansas City** and the **Office of the Governor** each assumed there is no fiscal impact to their organization from this proposal.

Development Tax Credit §32.110

Oversight notes according to the Tax Credit Analysis submitted by DED regarding this program, the Development tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Issued	$2,713,000	$3,970,771	$3,624,811
Amount Redeemed	$1,589,618	$1,001,142	$3,856,648

The Development tax credit has a $6 million annual cap. The average amount of the credits issued over the last five years has been $2,560,772.

ASSUMPTION (continued)

Rebuilding Communities Tax Credit §135.535
Oversight notes according to the Tax Credit Analysis submitted by the DED regarding this program, the Rebuilding Communities tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Issued	$1,419,758	$1,444,107	$1,883,336
Amount Redeemed	$1,553,894	$1,277,135	$1,388,190

The Rebuilding Communities tax credit has an $8 million annual cap. The average amount of the credits issued over the last five years has been $1,684,041.

Enhanced Enterprise Zone Tax Credit § 135.967
Oversight notes according to the Tax Credit Analysis submitted by the DED regarding this program, the Enhanced Enterprise Zone tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Issued	$5,068,487	$6,853,727	$6,525,256
Amount Redeemed	$2,916,392	$4,000,689	$7,324,093

The Enhanced Enterprise Zone tax credit has a $24 million annual cap. The average amount of the credits issued over the last five years has been $4,381,914.

Missouri Quality Jobs Tax Credit § 620.1881
Oversight notes according to the Tax Credit Analysis submitted by the DED regarding this program, the Missouri Quality Jobs tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Issued	$14,863,017	$28,098,496	$37,749,051
Amount Redeemed	$14,238,179	$27,936,799	$35,431,828

The Missouri Quality Jobs tax credit has an $80 million annual cap. The average amount of the credits issued over the last five years has been $19,160,737.

Oversight assumes it is unclear how many companies will qualify for the withholding tax so Oversight will show in the fiscal note the cost to General Revenue as $0 to Unknown. Since the tax credits are capped each fiscal year ($50 million) and the number of unobligated credits is

ASSUMPTION (continued)

known and currently larger than the new cap amount, the tax credit will not have an impact during the fiscal note period.

Bill as a Whole
Officials at the **DED** assume the need for two additional FTE to implement all of the changes in this proposal. DED assumes a cost of approximately $130,000 for these two FTE.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** (**DIFP**) assume that it is unknown how many insurance companies have chosen to participate in these programs and taken advantage of the tax credits. 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.

DIFP will require minimal contract computer programming to add these new tax credits to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Officials at the **Joint Committee on Administrative Rules** assume there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state 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 SOS 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, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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.

ASSUMPTION (continued)

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

In response to a previous version of this proposal, officials at the **BAP** assume this proposal modifies various tax credit programs. These changes may impact associated economic activity; BAP cannot estimate these revenue impacts. These changes may also be subject to the calculation in Article X, Section 18(e). Some of the changes may impact General and Total State Revenue.

Oversight assumes the creation of new programs and changes to existing programs in this proposal would have a positive impact on the state. However, Oversight considers this to be indirect impact of the proposal and will not reflect it in the fiscal note.

FISCAL IMPACT - State Government	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE			
Additional Revenue - Lowering of the cap on Low Income Housing §135.352**	$0	$0	$0
Additional Revenue - prohibition of stacking credits §135.352.10	Unknown	Unknown	Unknown
Additional Revenue - repeal of the self-employed tax credit §143.119	$0	$1,512,185	$1,512,185
Additional Revenue - termination of the family development account credit §208.770	$0	$12,750	$12,750
Savings - recapture of tax credits §253.559.7	Unknown	Unknown	Unknown
Additional Revenue - lowering of the cap on the Agricultural Product/New Gen Coop §348.434	$0	$2,419,214	$2,419,214
Revenue Reduction - extension of the distressed areas land assemblage credit §99.1205	$0	$0 to ($30,000,000)	$0 to ($30,000,000)
Revenue Reduction - extension of the wood energy tax credit §135.305	($2,000,000)	($2,000,000)	($2,000,000)
Revenue Reduction - creation of the New Markets tax credit §135.680	$0	$0	$0 to ($15,000,000)
Revenue Reduction - extension of the Film Tax Credits §135.750*	$0	($1,786,880)	($1,786,880)

FISCAL IMPACT - State Government (continued)	FY 2014 (10 Mo.)	FY 2015	FY 2016
Cost - Department of Economic Development §135.1565			
Personal Service	($68,360)	($82,852)	($83,681)
Fringe Benefits	($34,689)	($42,043)	($42,464)
Expense and Equipment	($18,685)	($7,595)	($7,785)
Total Cost - DED	($121,734)	($132,490)	($133,930)
FTE Change - DED	2 FTE	2 FTE	2 FTE
Costs - Department of Revenue			
Programming	($113,285)	$0	$0
Revenue Reduction - creation of the MO Export Incentive Act §135.1565	$0 to ($7,500,000 to Unknown)	$0 to ($7,500,000 to Unknown)	$0 to ($7,500,000 to Unknown)
Revenue Reduction- sales tax exemption Section §144.810	$0	$0	$0 or (More than $1,000,000)
Revenue Reduction - creation of the Angel Investment Incentive Act §348.273	$0 to ($2,000,000)	$0 to ($2,000,000)	$0 to ($2,000,000)
Revenue Reduction - extension of the qualified research tax credit §620.1039	$0	$0 to ($10,000,000)	$0 to ($10,000,000)
Revenue Reduction - retained withholding taxes §620.2020	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**(Unknown greater than $11,735,019)**	**(Unknown greater than $49,475,221)**	**(Unknown greater than $65,476,661)**
Estimated Net FTE Change on General Revenue	2 FTE	2 FTE	2 FTE

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FISCAL IMPACT - State Government (continued)	FY 2014 (10 Mo.)	FY 2015	FY 2016
NEW MARKETS PERFORMANCE GUARANTEE FUND			
Income - Qualified Community Development Entity fee §135.680	$0 or Unknown	$0 or Unknown	$0 or Unknown
Cost - Refund of Qualified Community Development fee §135.680	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
ESTIMATED NET EFFECT ON NEW MARKETS PERFORMANCE GUARANTEE FUND	**$0**	**$0**	**$0**
CONSERVATION COMMISSION FUND			
Revenue Reduction- sales tax exemption §144.810 RSMo	$0	$0	$0 or (More than $100,000)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**$0**	**$0**	**$0 or (More than $100,000)**
PARKS, AND SOIL & WATER FUND			
Revenue Reduction- sales tax exemption §144.810 RSMo	$0	$0	$0 or (More than $100,000)
ESTIMATED NET EFFECT ON PARKS, AND SOIL & WATER FUND	**$0**	**$0**	**$0 or (More than $100,000)**

FISCAL IMPACT - State Government (continued)	FY 2014 (10 Mo.)	FY 2015	FY 2016
SCHOOL DISTRICT TRUST FUND			
Revenue Reduction- sales tax exemption §144.810 RSMo	$0	$0	$0 or (More than $100,000)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**$0**	**$0**	**$0 or (More than $100,000)**
MISSOURI AGRICULTURE AND SMALL BUSINESS DEVELOPMENT AUTHORITY			
Loss - AGR - tax credits fees §348.434	$0	($1,479,782)	($1,479,782)
ESTIMATED NET EFFECT ON MISSOURI AGRICULTURE AND SMALL BUSINESS DEVELOPMENT AUTHORITY	**$0**	**($1,479,782)**	**($1,479,782)**

Note: The fiscal note 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.

*** This credit has an annual cap that could raise the above stated revenue reduction to no more than $3,000,000 per year.**

**** Note: the reduction in the annual cap for Low Income Housing Tax Credits (§135.352) could result in savings starting in FY 2017 ($3.0 million) and incrementally increase to $15.0 million in FY 2021.**

The Missouri Works programs would not start to show impact until after FY 2016.

FISCAL IMPACT - Local Government	FY 2014 (10 Mo.)	FY 2015	FY 2016
LOCAL GOVERNMENTS			
Revenue Reduction - sales tax exemption §144.810 RSMo	$0	$0	$0 or (More than $100,000)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	**$0**	**$0**	**$0 or (More than $100,000)**

FISCAL IMPACT - Small Business

Small businesses that receive any of the tax credits identified in this proposal could be impacted.

FISCAL DESCRIPTION

This bill revises the total amount that may be annually authorized on several tax credit programs, extends the expiration date on specified tax credits, and requires all tax credits with a statutory amount limit to be reviewed by the General Assembly every five years.

In its main provisions, the bill, for fiscal years beginning on or after July 1, 2014:

(1) Reduces, from $25 million to $20 million, the maximum amount of credits that can be annually authorized for the Business Use Incentives for Large-Scale Development Tax Credit (§100.850);

(2) Reduces, from $6 million to $3 million, the maximum amount of credits that can be authorized in each fiscal year for the Low income Housing Tax Credit for projects financed through tax-exempt bond insurance and specifies that up to $125 million can be authorized for tax credits on projects that are not financed through tax exempt bond insurance for which there is currently not a maximum amount. The bill also prohibits a taxpayer who receives this credit from being eligible to receive a Historic Preservation Tax Credit for the same project (§135.352);
(3) Reduces, from $16 million to $12 million, the maximum amount of credits that can be annually authorized for the Rehabilitation and Construction of Residences in Distressed Communities and Census Blocks Tax Credit (§135.484);

(4) Reduces, from $10 million to $2 million, the maximum amount that can be annually authorized for the Relocating a Business to a Distressed Community Tax Credit (§135.535);

FISCAL DESCRIPTION (continued)

(5) Reduces, from $3 million to $1 million, the maximum amount that can be annually authorized for the Qualified Beef Tax Credit (§135.679);

(6) Specifies that the maximum amount that can be annually authorized for the Grape and Wine Producers Tax Credit is $200,000. Currently, there is no maximum amount (§135.700);

(7) Extends the expiration date of the provisions regarding the Alternative Fuel Vehicle Refueling Property Tax Credit sunset from August 28, 2014, to August 28, 2019 (§135.710);

(8) Reduces, from $4.5 million to $3.5 million the maximum amount that can be annually authorized for the Film Production Companies Tax Credit and extends the expiration date of the provisions from November 28, 2013, to August 28, 2019 (§135.750);

(9) Reduces, from $24 million to $19 million, the maximum amount that can be annually authorized for the Enhanced Enterprise Zone Tax Credit (§135.967);

(10) Specifies that the provisions regarding the health insurance income tax deduction for certain self employed individuals will expire December 31, 2013 (§143.119);

(11) Reduces, from $140 million to $115 million, the maximum amount that can be authorized in each fiscal year for the Historic Structures Rehabilitation Tax Credit for projects of $275,000 or more and specifies that the maximum amount that can be authorized in each fiscal year for projects under $275,000 is $20 million (§253.550); and

(12) Reduces, from $80 million to $70 million, the maximum amount that can be annually authorized for the Missouri Quality Jobs Tax Credit (§620.1881).

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

JH:LR:OD

SOURCES OF INFORMATION

City of Columbia
City of Kansas City
Department of Agriculture
Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Natural Resources
Department of Revenue
Francis Howell School District
Joint Committee on Administrative Rules
Missouri Department of Transportation
Missouri Development Finance Board
Missouri Housing Development Commission
Office of Administration -
Division of Budget and Planning
Office of the Governor
Office of the Secretary of State
Office of State Treasurer
Parkway School District
St. Louis County
University of Missouri

Ross Strope
Acting Director
April 11, 2013

JH:LR:OD