

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2182-01  
Bill No.: HB 924  
Subject: Business and Commerce; Economic Development; Economic Development  
Department; Revenue Department; Administration, Office of  
Type: Original  
Date: April 23, 2013

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Bill Summary: This proposal establishes the Missouri Business Recruiters Act designed to create positions of business recruiters to attract out-of-state business owners and companies to Missouri.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0 to Unknown</b>	<b>\$0 to Unknown</b>	<b>\$0 to Unknown</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Missouri Business Recruiters Act*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Revenue and costs net to zero.

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ 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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration - Division of Personnel** and the **Office of State Treasurer** each assume there is no fiscal impact to their organization from this proposal.

Officials at the **Office of Administration - Budget and Planning** assume this proposal establishes the Missouri Business Recruiters Act, which requires the Department of Economic Development to administer a program to create employment positions for business recruiters. Recruiters are compensated for each qualifying job relocated to Missouri in the amount of two percent withholding taxes. This proposal will decrease General and Total State Revenues by an unknown amount. This proposal may also increase economic activity, but BAP does not have data to estimate induced revenues.

Officials at the **Department of Economic Development (DED)** assume Section 620.1600 creates the Missouri Business Recruiters Act which allows 2% of the withholding tax that is collected from any job that has been relocated to Missouri with the assistance of a Business Recruiter. The Business Recruiter is a full-time private position and serves to facilitate businesses relocating to Missouri. DED is responsible for taking applications for the program and establishing requirements for employment. While the position is not a state position it must be listed on the OA website. Additionally, the Department of Revenue is responsible for withholding the 2% tax and holding it in a fund for disbursement to eligible business recruiters.

DED assumes an unknown impact as a result of the 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 and be responsible for reviewing and approving the applications for the program to determine eligibility, establishing procedures, reviewing the applications to make sure they meet the criteria of the program, and ensuring compliance with the program.

**Oversight** assumes that this proposal requires DED to create an application process for potential business recruiters. Creation of the application should be able to be absorbed with existing resources.

Officials at the **Department of Revenue** assume they will need to make form changes and changes to the withholding tax system to track companies that have been relocated and the amount to be distributed to the Missouri Business Recruiters Fund. The Department envisions the creation of a new reporting schedule to detail the amount subject to the 2% withholding and a

ASSUMPTION (continued)

monthly report to show the amount that needs to be transferred to the fund.

**Oversight** assumes that the Department of Revenue would be able to absorb the computer programming and creation of the new report with existing resources.

**Oversight** will reflect in the fiscal note increased revenue to General Revenue of the withholding tax from the new jobs created as \$0 (no new jobs with withholding tax) to Unknown. Oversight will reflect the transfer from General Revenue to the Missouri Business Recruiters Fund of the 2% of the withholding tax required by this proposal. Oversight assumes all money received by the Fund will be used per the requirements of the proposal.

**Oversight** assumes the creation of this new program outlined in this proposal may have a positive impact on the state. However, Oversight considers this to be indirect impact of the proposal and will not reflect it in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>GENERAL REVENUE</b>			
<u>Additional Revenue</u> - new jobs created and withholding tax collected	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Transfer Out</u> - 2% of withholding tax collected from new jobs to MO Business Recruiters Fund	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0 to Unknown</u></b>	<b><u>\$0 to Unknown</u></b>	<b><u>\$0 to Unknown</u></b>
<b>MISSOURI BUSINESS RECRUITERS FUND</b>			
<u>Transfer In</u> - withholding tax for new jobs created under this proposal	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Cost</u> - payment of the business recruiter services	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>ESTIMATED NET EFFECT ON MISSOURI BUSINESS RECRUITERS FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<u>FISCAL IMPACT - Small Business</u>			

No direct fiscal impact to small businesses would be expected as a result of this proposal.

### FISCAL DESCRIPTION

This bill establishes the Missouri Recruiters Act to create employment positions for business recruiters to attract out-of-state business owners and companies to Missouri. A business recruiter will receive compensation for any jobs that are relocated into Missouri equal to 2% of the withholding tax that is collected from the relocated jobs and is subject to specified restrictions. The relocated job must pay wages that meet or exceed the average pay in the county to which the job is relocated, be maintained for at least one year, and be a full-time position requiring at least 2,000 hours per year and 160 hours per month for at least 10 months per year.

The Department of Economic Development must administer the program and create a business recruiter application process. Any private contracted business recruiter must apply to become a Missouri business recruiter under department guidelines. The Department of Revenue must withhold 2% of the withholding taxes from each new job created under the program and deposit the withheld funds into the newly created Missouri Business Recruiters Fund. The Office of Administration must advertise the position of business recruiter in the same manner as any other job opening or business procurement.

The provisions of the bill will expires four years after the effective date.

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

### SOURCES OF INFORMATION

Department of Economic Development  
Department of Revenue  
Office of Administration  
    Budget and Planning  
    Division of Personnel  
Office of State Treasurer



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Acting Director

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