COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5171-01
Bill No.: HB 1498
Subject: Tax Credits; Economic Development; Department of Economic Development
Type: Original
Date: January 28, 2014

Bill Summary: This proposal changes the laws regarding tax incentives and tax credits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	Unknown to ($28,521,889)	Unknown to ($26,884,619)	Unknown to ($26,486,010)
Total Estimated Net Effect on General Revenue Fund	**Unknown to ($28,521,889)**	**Unknown to ($26,884,619)**	**Unknown to ($26,486,010)**

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 20 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Conservation Commission	$0	$0	$0 or (More than $10,000)
Parks, Soil & Water	$0	$0	$0 or (More than $10,000)
School District	$0	$0	$0 or (More than $10,000)
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0 or (More than $10,000)**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	**1 FTE**	**1 FTE**	**1 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 2015	FY 2016	FY 2017
Local Government	**$0**	**$0**	**$0 or (More than $10,000)**

FISCAL ANALYSIS

ASSUMPTION

The Office of Administration's Division of Budget and Planning, Department of Economic Development and the Department of Revenue did not respond to **Oversight's** request for fiscal impact.

§99.1205 Distressed Area Land Assemblage tax credit
In response to similar legislation filed this year, HB 1501, officials at the **Office of Administration's Division of Budget and Planning** (**BAP**) assume this proposal would not fiscally impact BAP. This proposal modifies the distressed areas land assemblage tax credit in the following ways:

Adds expenses to the list of qualified acquisition costs.
Changes the provision allowing acquisition costs to include costs incurred for up to twelve years after the acquisition of a project. The current limit is five years.
Allows additional projects to be eligible for the tax credit, including the old penitentiary in Jefferson City (Cole County).
Reduces the $95 million aggregate cap to $48 million.
Changes the sunset from August 28, 2013 to August 28, 2020.

This tax credit program expired on August 28, 2013. There is a $20 million annual cap and a $48 million aggregate cap, therefore General and Total State Revenues could be lowered by $0 to ($20 million) annually, up to $48 million in the aggregate. BAP notes that the three-year average amount authorized under this tax credit program was $7.25 million. This program may encourage other economic activity, but Budget and Planning does not have data to estimate the induced revenues.

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

	FY 2011	FY 2012	FY 2013
Certificates Issued (#)	1	2	3
Projects (#)	1	0	1
Amount Authorized	$7,980,875	$3,269,623	$10,508,459
Amount Issued	$7,980,875	$3,269,623	$10,508,459
Amount Redeemed	$13,534,347	$7,558,203	$1,651,415

ASSUMPTION (continued)

Oversight assumes this tax credit was to sunset on August 28, 2013 (FY 2014). This part of the proposal extends the tax credit; therefore, Oversight will show a loss to state revenue for the credits starting in FY 2015. This proposal places a new aggregate cap on the program of $48 million but maintains the yearly $20 million cap. Oversight will reflect a loss of revenue to the State as $0 to $16 million a year ($48 million averaged over the three fiscal note years).

§135.305 Wood Energy tax credit
Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Wood Energy tax credit program had the following activity;

	FY 2011	FY 2012	FY 2013
Certificates Issued (#)	17	10	12
Projects (#)	17	10	12
Amount Authorized	$3,269,364	$3,060,710	$2,990,840
Amount Issued	$3,269,364	$3,060,710	$2,990,840
Amount Redeemed	$3,818,378	$2,282,401	$3,563,209

Oversight assumes this part of the proposal extends the Wood Energy tax credit from its current expiration date of June 30, 2013 to June 30, 2020. It also places an annual cap of $3.5 million on this tax credit. The five year issue average of this credit is $3,253,294. Since the new cap is higher than the current issue average, Oversight assumes placing this new cap would not have a fiscal impact. However, extending the credit will result in a potential loss of revenue of $0 (no credits issued) to the new annual cap.

§135.350 Low Income Housing tax credit
Oversight assumes that the Missouri Housing Development Commission (MHDC) would have most of the impact experienced outside of the fiscal note period. MHDC assumes a two year lag time between initial authorizations and issuance. The Low Income credit is a ten year credit; the full impact associated with the reduced authorizations will subsequently be phased in. Currently the 4% credit is capped at $6 million authorizations per year ($60 million factoring in the full 10 year credit stream) and the 9% credit follows the federal allocation, for 2014 that is $13.7 million for authorizations ($137,000,000 factoring in the full 10 year credit stream).

The chart below estimates the fiscal impact from the authorization cap proposed using the current caps as a base.

ASSUMPTION (continued)

FY	9% MOLIHTC	4% MOLIHTC	DIFFERENCE / PROPOSED AUTHORIZATION CAPS	DIFFERENCE / PROPOSED AUTHORIZATION CAPS – ANNUALIZED
2015	$130,000,000	$60,000,000	$7,000,000	$700,000
2016	$125,000,000	$4,000,000	$68,000,000	$6,800,000
2017	$120,000,000	$4,000,000	$73,000,000	$7,300,000
2018	$115,000,000	$4,000,000	$78,000,000	$7,800,000
2019	$110,000,000	$4,000,000	$83,000,000	$8,300,000

MHDC uses the FY 2014 federal allocation for the LIHTC as a basis for projections; $13.7 million. Missouri statute allows for a state credit available "up to an amount equal to the federal low income housing tax credit;" for the purposes of this estimate, that amount is $13.7 million per year; $137 million factoring in the total 10 year credit stream. For the 4% MOLIHTC, MHDC used the $4 million which would equate to an annualized credit of $400,000 based on the forgoing language.

There is no fiscal impact associated with MOLIHTCs until they are redeemed. However, because the MOLIHTC has a carry forward provision, it is impossible to predict with certainty the timing of future redemptions. The full impact associated with the reductions will take several years to be fully realized.

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 2011	FY 2012	FY 2013
Certificates Issued (#)	212	457	487
Projects (#)	26	42	27
Amount Authorized	$102,960,000	$171,894,310	$170,875,210
Amount Issued	$156,016,305	$164,956,766	$164,520,021
Amount Redeemed	$143,055,387	$164,208,547	$144,082,976

Oversight notes this part of the proposal would reduce the issuance of Missouri Low Income Housing Tax Credits. Oversight assumes that the reduction would begin to have a fiscal impact in FY 2017 since projects approved after June 30, 2013 would not generally result in tax credits issued until after the end of FY 2016. MHDC estimated the impact based on a reduction of the tax credits. Oversight will reflect the increased revenue to the State as greater than the estimate.

ASSUMPTION (continued)

Oversight assumes this part of the proposal prohibits the stacking of historic preservation tax credits with low-income housing tax credits. 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.

§135.700 Wine & Grape tax credit
In response to similar legislation filed this year, HB 1499, officials at the **Office of Administration's Division of Budget and Planning** (**BAP**) assume this proposal would not fiscally impact BAP. This proposal caps the Wine Producers and Grape Growers tax credit at $200,000 annually. This should not result in savings to the state, as the three-year average amount authorized for this program is $75,000. However, this proposal also broadens the type of equipment purchases that qualify for the tax credit to include used equipment, whereas it currently only includes new equipment. This could result in additional cost to the state of $0 to ($125,000).

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;

	FY 2011	FY 2012	FY 2013
Certificates Issued (#)	17	14	9
Projects (#)	17	15	10
Amount Authorized	$90,014	$111,568	$22,768
Amount Issued	$90,014	$104,522	$27,746
Amount Redeemed	$29,411	$61,598	$94,186

Oversight assumes this proposal places an annual cap of $200,000 on this tax credit. Previously this credit did not have a cap. Since the new cap is larger than the annual amount currently issued or redeemed, Oversight assumes placing this new cap would not have a fiscal impact.

§§135.1550 - 135.1575 Air Export tax credit
In response to similar legislation filed this year, SB742 , officials at the **Office of Administration's Division of Budget and Planning** (**BAP**) assume this proposal would not fiscally impact BAP. This proposal would make qualifying freight forwarders eligible to receive air export tax credits based on the weight of specified shipments. This proposal caps the amount of benefit that can be authorized in FY15 at $3.6 million, and each subsequent fiscal year at $8.057 million. The total aggregate amount of credits available is $60 million. Therefore, this

ASSUMPTION (continued)

proposal may reduce General and Total State Revenues by $3.6 million in FY15, and $8.057 million for each subsequent fiscal year. The program would sunset eight years after the effective date of the legislation. This proposal may encourage other economic activity. BAP cannot estimate the induced revenues.

In response to similar legislation filed this year, HB 1500, officials at the **Department of Economic Development** (**DED**) assume §135.1550 establishes the Air Export Tax Credit which allows an air export tax credit to freight forwarders for a shipment of cargo on a qualifying outbound flight from any Missouri airport. The air export tax credit has an aggregate cap of $60 million with a fiscal year cap of $3.6 million. Tax credits are based on 40 cents per chargeable kilo on a shipment of cargo. These credits may not be transferred, sold and they do not have a 6-year carry forward provision. The act 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 eight years after the effective date, unless reauthorized by the General Assembly.

DED assumes a negative fiscal impact ranging from $0- $3.6 million for fiscal year 2015 or up to $8,057,000 for subsequent years. This negative impact would be offset by an unknown positive economic benefit as a result of the increase in economic activity 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 tax credit applications to make sure they meet the criteria of the program, drafting and sending the tax credit awards, and ensuring compliance with the program.

In response to similar legislation filed this year, HB 1500, officials at the **Department of Revenue** (**DOR**) assume this proposal would require computer programming changes to various tax systems. The IT portion is estimated at 840 FTE hours for a total of $22,932.

DOR assumes its Personal Tax Division would require one Revenue Processing Technician I for tax credits processed. The Corporate Tax Division would require one Revenue Processing Technician I for tax credits redeemed.

ASSUMPTION (continued)

Oversight assumes DOR is provided with core funding to handle a certain amount of computer programming activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

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.

Officials at the **City of St. Louis** assume part of this proposal would increase use of the airport through a Air Export tax credit. Each new cargo flight would generate $5,000 in landing fees per flight and the leasing of currently available cargo facilities would generate $700,000 per year. Additional positive economic activity is expected.

Oversight assumes the first time a Freight Forwarder can apply for the tax credit is July 1, 2014; so the first time the Freight Forwarder could claim the credits would be on their calendar year 2014 tax return filed after January 1, 2015. Therefore, Oversight will show the impact of this proposal beginning in Fiscal Year 2015, as $0 (no credits issued) to each year's annual cap.

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.

§67.2050 and §144.810 Data Storage tax credit

Officials at the **Department of Natural Resources** (**DNR**) assume 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. Therefore, any additional sales tax exemption would be an unknown loss to the Parks and Soils Sales Tax Funds. Based on the information from the Department of Revenue, total revenues to the Parks and Soils Sales Tax Funds might decrease by an estimated amount of $1,025,247 in FY 2014 and $1,230,296 for FY 2015 and FY 2016.

Officials at the **City of Columbia** assume there is not enough data to determine a fiscal impact.

Officials at the **City of Jefferson City** assume there is no fiscal impact from this proposal.

ASSUMPTION (continued)

Oversight notes that this proposal would require a minimum $5 million investment in a new facility within thirty-six months, or a minimum $2 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, 2014, construction could begin late in FY 2015 and would likely not be completed until late in FY 2016. Refunds would not likely be certified and paid to project owners until FY 2017.

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 2017, the sales tax amounts could be computed as follows. For fiscal note purposes, Oversight assumes the entire $5 million investment would qualify for the exemption and has calculated the potential impact below.

Entity	Sales Tax Rate	Sales Tax
General Revenue Fund	3%	$150,000
Conservation Commission Fund	1/8%	$6,250
School District Trust Fund	1%	$50,000
Parks, Soil & Water Funds	1/10%	$5,000
Local Governments	Average 3.8%	$190,000

Oversight will indicate a fiscal impact for the General Revenue Fund for this proposal of $0 (no project qualifies for the exemption) or a revenue reduction of More than $100,000 (one or more projects qualify for the exemption) for FY 2017, and a range of $0 or a revenue reduction of More than $10,000 for other state funds which receive sales tax revenues, and for local governments.

Officials at the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Joplin, Kansas City, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville,

ASSUMPTION (continued)

Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to **Oversight's** request for fiscal impact.

§§253.545 - 253.559 Historic Preservation tax credit
Officials at the **Department of Natural Resources** (**DNR**) assume the State Historic Preservation Office is responsible for reviewing and approving rehabilitation work for the state historic preservation tax credit program. Any changes in the tax credit structure may have an impact on the number or rehabilitation projects the State Historic Preservation Office reviews and approves. Additionally, with reduced number of projects, the fee assessed per tax credit that in part funds the State Historic Preservation Office staff salaries and expenses will also be reduced (Economic Development Advancement Fund 0783).

The department would not anticipate a significant direct fiscal impact as a result of the changes made to the structure of the State Historic Preservation Tax Credit. However, we cannot predict the number of projects that will be applied for given the reduced carry forward/back period and the decreasing cap amounts. Therefore, we cannot predict the reduction in fees and associated appropriation authority changes to the Department of Natural Resources, Missouri State Parks, State Historic Preservation Office from the Economic Development Advancement Fund (0783). Current appropriation authority from the fund is $110,155.

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 2011	FY 2012	FY 2013
Certificates Issued (#)	161	178	142
Projects (#)	161	178	118
Amount Authorized	$82,839,495	$98,591,346	$93,923,652
Amount Issued	$116,244,410	$105,272,651	$71,495,994
Amount Redeemed	$107,767,393	$133,937,747	$78,814,711

Oversight assumes this part of the proposal reduces the cap on this credit. Oversight will show the increase revenue to the state as Unknown.

ASSUMPTION (continued)

§348.273 and §348.274 Angel Investment tax credit

In response to similar legislation filed this year, HB 1310, officials at the **Office of Administration's Division of Budget and Planning** (**BAP**) assume this proposal would not impact BAP. This proposal creates the Missouri Angel Investment Incentive Act. The total amount of tax credits available for this program could reach $66 million, with a total of $6 million allowed annually for tax years 2014 to 2024. There are provisions for the balance of annually unissued tax credits to be carried over for issuance in future years until the end of the program (December 31, 2024). This proposal could therefore lower General and Total State Revenues by that amount. This program may encourage other economic activity, but BAP does not have data to estimate the induced revenues. The Department of Economic Development may have such an estimate.

In response to similar legislation filed this year, HB 1310, officials at the **Department of Economic Development** (**DED**) assume this part of the proposal creates the Missouri Angel Investment Incentive Act to be administered by the Missouri Technology Corporation (MTC). MTC would create and administer guidelines for the program, accept and approve applications, and also conduct compliance.

DED assumes MTC would require 1.5 FTE to create guidelines, accept applications and overall administration of the program. One FTE would be an Economic Development Specialist II and .5 FTE would be an Administrative Office Support Assistant.

DED assumes a negative impact ranging from $0 to $6 million, which would be offset by an unknown positive economic benefit based on the increase in economic activity.

Oversight assumes the MTC would need one Economic Development Specialist II for administration of this program; however, they could absorb the duties of the Administrative Office Support Assistant.

In response to similar legislation filed this year, HB 1310, officials at the **Department of Revenue** (**DOR**) assumed this proposal would require changes to various tax systems. These changes are estimated to cost $22,932 for 840 FTE hours. Additionally, DOR's Personal Tax Division will need two Revenue Processing Technicians I for processing credits claimed and increased. DOR's Corporate Tax Division will need one Revenue Processing Technician I to redeem tax credits, one Revenue Processing Technician I for tax credit transfers and one Revenue Processing Technician I for compliance mailings and correspondence.

ASSUMPTION (continued)

Oversight assumes DOR is provided with core funding to handle a certain amount of computer programming activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

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 the Angel Investment Incentive Act is to begin on January 1, 2014, and therefore, the credits will affect the State beginning FY 2015. Oversight assumes this proposal allows any credits not issued in a year to be carried forward to the next fiscal year. Oversight will show the impact of this proposal as $0 (no credits issued) to $6 million in the first year and More than $6 million each year thereafter.

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

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state since this legislation includes both new tax credits and new limitations on existing tax credits, the effect on revenues from premium taxes cannot be determined. It is unknown how many insurance companies will choose to participate in this program and take 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 throughout 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 this new tax credit 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.

ASSUMPTION (continued)

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.

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.

FISCAL IMPACT - State Government	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
Additional Revenue - prohibition on stacking Historic Preservation and Low Income Housing tax credits	Unknown	Unknown	Unknown
Additional Revenue - reduction of the low income housing cap §135.350	$700,000 to Unknown	$6,800,000 to Unknown	$7,300,000 to Unknown
Additional Revenue - reduction of the historic preservation cap §253.545	Unknown	Unknown	Unknown
Revenue Reduction - Distressed Area Land Assemblage tax credit §99.1205	$0 to ($16,000,000)	$0 to ($16,000,000)	$0 to ($16,000,000)
Revenue Reduction - Wood Energy credit extended §135.305	$0 to ($3,500,000)	$0 to ($3,500,000)	$0 to ($3,500,000)
Revenue Reduction - Air Export tax credit §135.1550	$0 to ($3,600,000)	$0 to ($8,057,000)	$0 to ($8,057,000)

FISCAL IMPACT - State Government (continued)	FY 2015 (10 Mo.)	FY 2016	FY 2017
Revenue Reduction - Data Storage Sales tax exemption §144.810	$0	$0	$0 or (More than $100,000)
Revenue Reduction - Missouri Angel Investment Incentive tax credit §348.273	$0 to ($6,000,000)	$0 to (More than $6,000,000)	$0 to (More than $6,000,000)
Cost - Missouri Technology Corporation - for FTE and expenses to administer the angel tax credit §348.273	($52,678)	($60,497)	($61,159)
Cost - Department of Economic Development			
Personal Service	($41,520)	($41,935)	($42,355)
Fringe Benefits	($21,177)	($21,389)	($21,603)
Equipment and Expense	($6,514)	($3,798)	($3,893)
Total Cost - DED	($69,211)	($67,122)	($67,851)
FTE Change - DED	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	**Unknown to ($28,521,889)**	**Unknown to ($26,884,619)**	**Unknown to ($26,486,010)**
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE
CONSERVATION COMMISSION FUND			
Revenue Reduction - data storage sales tax exemption §144.810	$0	$0	$0 or (More than $10,000)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**$0**	**$0**	**$0 or (More than $10,000)**

FISCAL IMPACT - State Government (continued)	FY 2015 (10 Mo.)	FY 2016	FY 2017
PARKS, AND SOIL & WATER FUND			
Revenue Reduction - data storage sales tax exemption Section §144.810	$0	$0	$0 or (More than $10,000)
ESTIMATED NET EFFECT ON PARKS, AND SOIL & WATER FUND	**$0**	**$0**	**$0 or (More than $10,000)**
SCHOOL DISTRICT TRUST FUND			
Revenue Reduction - data storage sales tax exemption §144.810	$0	$0	$0 or (More than $10,000)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**$0**	**$0**	**$0 or (More than $10,000)**

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.

FISCAL IMPACT - Local Government	FY 2015 (10 Mo.)	FY 2016	FY 2017
LOCAL GOVERNMENTS			
Revenue Reduction - data storage sales tax exemption §144.810	$0	$0	$0 or (More than $10,000)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	**$0**	**$0**	**$0 or (More than $10,000)**

FISCAL IMPACT - Small Business

Small businesses that receive these credits may be impacted.

JH:LR:OD

FISCAL DESCRIPTION

This bill revises the total amount that may be annually authorized on several tax credit programs and extends the expiration date on specified tax credits.

Technology Business Facilities and Data Storage Centers (§§67.2050 and 144.810, RSMo) - Beginning August 28, 2014, the bill authorizes a state and local sales and use tax exemption on items related to new data storage centers, limited to the net fiscal benefit of the state. Upon approval by the department, project taxpayers for expanding data center projects may, beginning August 28, 2014, and for a period of up to 10 years, be exempted from state and local sales taxes. The provisions of the bill regarding the tax exemption terminates on September 1, 2020.

Distressed Areas Land Assemblage Tax Credit Act (§99.1205) -This bill changes the laws regarding the Distressed Areas Land Assemblage Tax Credit. The bill revises the definition of "acquisition costs" to include engineering, site and redevelopment area planning of eligible parcels. Acquisition costs include maintenance costs for 12 years instead of five years. The bill revises the definition of "eligible parcel" to exclude parcels acquired by the applicant from a municipal authority prior to August 28, 2007.

The bill revises the definition of an “eligible project area” to include a redevelopment area as defined under the Real Property Tax Increment Allocation Redevelopment Act and the area within one quarter mile of the former Missouri State Prison in Jefferson City.

The bill revises the definition of "interest costs" to exclude loans for acquisition costs including interest, loan fees and closing costs associated with the refinancing of the loans.

The bill allows an applicant to receive a tax credit for acquisition and interest costs of an eligible parcel for 12 years instead of five years. An applicant is allowed to file for the tax credit quarterly instead of annually. The aggregate program cap authorized is $48 million. The bill establishes a process for allocating the annual $20 million in tax credits depending upon the number of eligible applicants.

Tax Credits and Tax Deductions - The bill:
(1) Prohibits the aggregate amount of all tax credits allowed the Wood Energy Tax from exceeding $3.5 million in any fiscal year. The bill extends to June 30, 2020, when no new tax credits can be authorized (§135.305);

FISCAL DESCRIPTION (continued)

(2) Specifies that for all taxable years beginning on or after July 1, 2015, the total amount of tax credit authorizations that can be authorized in each fiscal year for the Low Income House Tax Credit for projects that are financed through tax-exempt bonds cannot exceed $4 million. Currently, the maximum amount is $6 million. The bill specifies that the total amount of tax credits allowed over a federal credit period must be attributed to the fiscal year in which the credits are authorized by the Missouri Housing Development Commission for a qualified Missouri project.

For all fiscal years beginning on or after July 1, 2015, there must be a $130 million, after July 1, 2016 there must be a $125 million, after July 1, 2017 there must be a $120 million, after July 1, 2018 there must be a $115 million, after July 1, 2019 there must be a $110 million cap on tax credit authorizations for projects that are not financed through tax-exempt bonds. Currently, there is not a maximum amount. The bill prohibits a taxpayer who receives state tax credits under these provisions from being eligible to receive a Historic Preservation Tax Credit for the same project, and any entity that receives the tax credit is deemed to have waived the right to present evidence to the State Tax Commission in an appeal of a real estate assessment relating to the ability of the property to generate income (§§135.350 and 135.352);

(3) Specifies that the grape growers and wine producers tax credits can be used for used equipment as well as new. Beginning on or after July 1, 2015, the total amount of tax credits annually allowed for the Grape and Wine Producers Tax Credit cannot exceed $200,000. Currently, there is no maximum amount (§135.700); and

(4) Specifies that for each fiscal year beginning on or after July 1, 2015, the total amount of applications that the Department of Economic Development cannot approve for the Historic Structures Rehabilitation Tax Credit for projects over $275,000 cannot exceed $90 million. The maximum amount that can be authorized in each fiscal year for projects under $275,000 is $10 million. For all applications for credits approved on or after July 1, 2015, no more than $125,000 may be issued for the eligible costs and expenses incurred in the rehabilitation of certain eligible owner-occupied residential property. A taxpayer who receives a low income housing tax credit for a project not financed through tax-exempt bonds issuance cannot be eligible for a historic preservation tax credit for the same project. (§§253.545 - 253.559).

Missouri Export Incentive Act (§§135.1550 - 135.1575) - This bill establishes the Missouri Export Incentive Act to encourage foreign trade through international airports in Missouri.
For all taxable years beginning on or after July 1, 2014, an air export tax credit is authorized for a freight forwarder against income taxes with the exception of withholding taxes, corporate franchise taxes, and financial institution taxes for the shipment of cargo on a qualifying outbound

FISCAL DESCRIPTION (continued)

flight in an amount equal to 40 cents per chargeable kilo. The Department of Economic Development must index, and the Secretary of State must publish in the Missouri Register, the amount of the air export tax credits to adjust each year depending upon fluctuations in the cost of fuel for over-the-road transportation. The bill specifies the requirements in order for a freight forwarder to receive the credit and how it will be calculated. No credits can be authorized after June 30, 2022.

The maximum amount of tax credits that can be issued each year is specified in the bill. An authorized tax credit that exceeds an applicant's tax liability for a year may be carried forward for six years, or until the full credit is used, whichever occurs first. The tax credits may be transferred, sold, or assigned.

Missouri Angel Investment Incentive Act (§§348.273 and 348.274) -This bill establishes the Missouri Angel Investment Incentive Act that is to be administered by the Missouri Technology Corporation (MTC). The MTC shall review applications from businesses requesting designation as a qualified Missouri business and allocate tax credits to qualified investors who make cash investments in the qualified Missouri business. The Department must establish its own rules of procedure, including the form and substance of applications to be used by the MTC and the criteria to be considered by the MTC when evaluating a qualified Missouri business and issue tax credits to qualified investors that have been allocated available tax credits by the MTC.

A tax credit must be allowed for an investor's cash investment in the qualified securities of a qualified Missouri business. The credit must be in a total amount equal to 50% of the investor's cash investment in any qualified Missouri business. This tax credit may be used in its entirety in the taxable year in which the cash investment is made except that no tax credit can be allowed in a year prior to 2014. If the amount by which that portion of the credit allowed exceeds the investor's liability in any one taxable year, beginning in 2014, the remaining portion of the credit may be carried forward five years or until the total amount of the credit is used, whichever occurs first. If the investor is a permitted entity investor, the credit must be claimed by the owners of the permitted entity investor in proportion to their equity investment in the permitted entity investor. The maximum tax credit allowed is $50,000 for a single qualified Missouri business per investor who is a natural person or permitted entity investor or a total of $250,000 for a single year per investor who is a natural person or owner of a permitted entity investor. No tax credits can be allowed for any cash investments in qualified securities for any year beginning after December 31, 2024. The total amount of tax credits that can be allowed cannot exceed $6 million in any fiscal year. The balance of unissued tax credits may be carried over for issuance in future years until December 31, 2024.

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FISCAL DESCRIPTION (continued)

The provisions of the bill expire December 31, 2024

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

City of Columbia
City of Jefferson City
City of St. Louis
Department of Insurance, Financial Institutions and Professional Registration
Department of Natural Resources
Joint Committee on Administrative Rules
Office of the Secretary of State

Not Responding
Department of Economic Development
Department of Revenue
Office of Administration
Division of Budget and Planning

Mickey Wilson

Mickey Wilson, CPA
Director
January 28, 2014

Ross Strope
Assistant Director
January 28, 2014

JH:LR:OD