COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION
FISCAL NOTE

L.R. No.: 2366-01
Bill No.: HB 1243
Subject: Taxation and Revenue - General; Tax Credits; Department of Revenue
Type: Original
Date: April 9, 2019

Bill Summary: This proposal places a sunset on tax credits without a sunset provision.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (could be beyond FY 2027)
General Revenue	$0	$0	$0	$0 or $401,382,654
Total Estimated Net Effect on General Revenue	**$0**	**$0**	**$0**	**$0 or $401,382,654**

Note: Should the low income housing tax credits be re-authorized this proposal would increase the future savings starting in FY 2037 to $437,682,654 ($168,300,000 + $269,382,654). The Missouri Works Program is currently set to expire in FY 2030 and therefore would not have an impact in FY 2037.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (could be beyond FY 2027)
Economic Development Advancement (0783)	$0	$0	$0	$0 or (Could Exceed $100,000)
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**	**$0 or (Could exceed $100,000)**

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 20 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (could be beyond FY 2027)
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (could be beyond FY 2027)
General Revenue	0	0	0	(Unknown)
Total Estimated Net Effect on FTE	**0**	**0**	**0**	**(Unknown)**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (could be beyond FY 2027)
Local Government	**$0**	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning** (**B&P**) assume this proposal adds sunset clauses to tax credit programs that are not currently on a sunset schedule.

B&P notes that some tax credits in this proposal are already sunset or are no longer active. These credits include:

- CAPCO - the cumulative cap has previously been exhausted
- Capital Tax Credit - no new applicants are being accepted
- Community Bank Tax Credit - no new applicants are being accepted
- Development Tax Credit - now included in the MO Works program
- Enhanced Enterprise Zone - no new projects are being accepted
- Enterprise Zone - previously sunset
- Distressed Area Land Assemblage - previously sunset
- Loan Guarantee Fee - previously sunset
- New and Expanded Business Facility - no new tax credits will be authorized after January 1, 2020 (the sunset for this proposal is December 31, 2021)
- New Enterprise Creation - cumulative cap has previously been exhausted
- Quality Jobs - previously sunset
- Seed Capital - previously sunset
- Transportation Development - previously sunset
- Health Care Access Fund - no credits have been authorized
- Health Insurance Pool - closed January 1, 2014
- Charcoal Producers - previously sunset
- Advantage MO - previously sunset
- Dry Fire Hydrant - previously sunset
- Qualified Research - previously sunset

The following tax credits could be impacted if allowed to sunset:
(B&P note: TY = tax year, FY = fiscal year)

- Affordable Housing Assistance - beginning TY26/FY27 (3-year average redemptions $7.8M)
- Brownfield Demolition - beginning TY26/FY27 (3-year average redemptions $0)
- Brownfield Jobs and Investment - beginning TY26/FY27 (3-year average redemptions $0)
- Brownfield Remediation - beginning TY26/FY27 (3-year average redemptions $5.6M)
- BUILD - beginning TY26/FY27 (3-year average redemptions $9.5M)
- Family Development Account - beginning TY26/FY27 (3-year average redemptions $0.001M)

ASSUMPTION (continued)

- Historic Preservation - beginning TY26/FY27 (3-year average redemptions $54.6M)
- Low Income Housing - beginning TY26/FY27 (3-year average redemptions $168.3M)
- MDFB Bond Guarantee - beginning TY26/FY27 (3-year average redemptions $0)
- MDFB Infrastructure Development Bonds - beginning TY26/FY27 (3-year average redemptions $11.7M)
- Neighborhood Assistance - beginning TY26/FY27 (3-year average redemptions $12.0M)
- Neighborhood Preservation - beginning TY26/FY27 (3-year average redemptions $3.1M)
- Rebuilding Communities - beginning TY26/FY27 (3-year average redemptions $0.7M)
- Small Business Incubator - beginning TY26/FY27 (3-year average redemptions $0.4M)
- Wine Production and Grape Growers - beginning TY26/FY27 (3-year average redemptions $0.03M)
- Youth Opportunities - beginning TY26/FY27 (3-year average redemptions $5.0M)
- Shared Care - beginning TY26/FY27 (3-year average redemptions $0.04M)
- Life and Health Insurance Guaranty - beginning TY26/FY27 (3-year average redemptions $5.5M)
- Property and Casualty Guaranty - beginning TY26/FY27 (3-year average redemptions $0)
- Bank Franchise Tax Credit - beginning TY26/FY27 (3-year average redemptions $3.4M)
- Bank Tax Credit for S-Corporations - beginning TY26/FY27 (3-year average redemptions $8.6M)
- Disabled Access for Small Businesses - beginning TY26/FY27 (3-year average redemptions $0.005M)
- Self Employed Health Insurance - beginning TY26/FY27 (3-year average redemptions $7.7M)
- Senior Citizen Property Tax Credit - beginning TY26/FY27 (3-year average redemptions $102.2M)
- Special Needs Adoption - beginning TY26/FY27 (3-year average redemptions $0.1M)
- Developmental Disability Care Provider - beginning TY26/FY27 (3-year average redemptions $0.03M)
- Domestic Violence Shelter - beginning TY26/FY27 (3-year average redemptions $1.4M)
  Residential Treatment Agency - beginning TY26/FY27 (3-year average redemptions $0.3M)
- Agriculture Product Utilization - beginning TY26/FY27 (3-year average redemptions $2.3M)
- Family Farms Act - beginning TY26/FY27 (3-year average redemptions $0.06M)
- New Generation Cooperative - beginning TY26/FY27 (3-year average redemptions $1.8M)
- Wood Energy - beginning TY26/FY27 (3-year average redemptions $1.0M)
- Qualified Beef - beginning TY26/FY27 (3-year average redemptions $0.1M)

ASSUMPTION (continued)

- Meat Processing Facility - beginning TY26/FY27 (3-year average redemptions $0.001M)
- MO Works New Job Training - beginning TY26/FY27 (3-year average redemptions $4.3M)
- MO Works Job Retention - beginning TY26/FY27 (3-year average redemptions $5.4M)
- MO Works - beginning TY26/FY27 (3-year average redemptions $34.5M)

B&P notes that this proposal would also sunset the tax credit given for income taxes paid into other states. B&P further notes that based on the ruling in the U.S. Supreme Court in the case Comptroller v. Wynne (2015), not providing such credit would be a violation of the U.S. Constitutional dormant Commerce Clause and would thus violate the federal Constitution. Therefore, for the purpose of this fiscal note, B&P will assume that this credit would not be allowed to sunset.

Based on historic authorization, issuance, and redemption patterns, B&P estimates that this proposal could increase Total State Revenue and General Revenue up to $139.9 million in FY 2027, if all the of the listed credits are allowed to sunset under this proposal. B&P further estimates that once fully implemented (FY 2046) this proposal could increase Total State Revenue and General Revenue up to $637.3 million, if all of the listed credits are allowed to sunset under this proposal.

B&P notes that some tax credits have a carry forward provision of up to 15 years and substantial outstanding amounts. This may push the fully implemented savings significantly into the future.

This proposal may impact other economic activity. B&P cannot estimate the induced revenues.

This proposal could increase Total State Revenue by $637.3M, once fully implemented, if all of the tax credits are allowed to sunset.

This proposal could impact the calculation under Article X, Section 18(e) if any of the tax credits are allowed to sunset. B&P notes that the net increase in Total State Revenue by this proposal could exceed the limit to revenue growth set forth by Article X, Section 18(e). The limit for the 2019 session is $105.0 million.

ASSUMPTION (continued)

Officials at the **Department of Revenue** (**DOR**) assume the Department calculated the average amount of tax credits issued each fiscal year using the following information:

- Form 14(s) – Fiscal Years 2015, 2016, 2017, and 2018
- Fourth Quarter – Tax Credit Report – Fiscal Year(s) 2015, 2016, 2017, and 2018.
  CMS – Redemption Interface to Customer Management System

The Department then calculated the average amount of tax credits redeemed each fiscal year using the same information mentioned above. The Department was then able to determine what percent of the amount issued each year is redeemed.

These amounts were then multiplied by the average amount issued each fiscal year by the number of years remaining until the credit is due to sunset per this legislation. Then we divided the average percent redeemed by the average amount issued each year by the number of years remaining until the credit is due to sunset per this legislation. Doing so allowed the Department to estimate the amount of tax credits that will be redeemed each fiscal year (which is when the credit has a fiscal impact), as this legislation allows for the redemption of each tax credit at any point in time within the boundaries of current law, of credits issued prior to the sunset date. The Department was then able to project when the State of Missouri could anticipate savings.

Fiscal Year	**Increase to GR**
FY 2020	$0
FY 2021	$0
FY 2022	$14,141,541.13
FY 2023	$103,867,812.32
FY 2024	$211,232,511.68
FY 2025	$224,591,367.15
FY 2026	$226,602,041.68
FY 2027	$228,235,401.57
FY 2028	$233,435,452.82
FY 2029	$266,977,932.19
FY 2030	$425,638,794.19
FY 2031	$425,638,794.19

ASSUMPTION (continued)

Officials at the **Department of Economic Development** (**DED**) assume this legislation amends the sunset dates of many tax credits, some of which will have an economic impact.

Section 32.115 would sunset the Neighborhood Assistance Program 6 years after the effective date, saving $16,000,000 per year.
Section 135.460 would sunset the Youth Opportunities Act 6 years after the effective date, saving $6,000,000 per year.
Section 208.720 would sunset the family development account 6 years after the effective date, saving $300,000 per year.
Section 253.550 would sunset the Historic Tax Credit 6 years after the effective date, saving $150,000,000 annually.
Section 447.708 would sunset the Brownfield Tax Credit 6 years after the effective date, saving $18,000,000 per year.
Section 620.495 would sunset the Small Business Incubator program 6 years after the effective date, saving $500,000 per year.
Section 135.481 would sunset the Neighborhood Preservation Program 6 years after the effective date, saving $8,000,000 per year.
Sections 99.1205, 135.110, 135.225, 135.535, 135.967, 135.968, 320.093, 620.1039, 620.1881 would be sunset; however, the programs have already sunset resulting in no additional savings or cost.
135.305 – wood energy – sunsets 6 years after effective date of section.
135.313 – charcoal producer – six years after effective date
135.679 – qualified beef tax credit act – six years
135.686 – meat processing facility investment tax credit act – six years
143.081 – resident individual tax credit – six years
173.796 – advantage Missouri program – six years
620.809 – Mo Works training new jobs training fund – re-authorizes until 2025
620.2020 – MO works – re-authorizes until 2025 currently sunsets in 2030

The savings on the first 7 bullet points will be $198,000,000 per year, beginning December 31, 2025, less any economic benefit that those tax credits cause.

The impact of §620.2020 Mo Works sunset causes a lost economic impact to the state of $310,365,898 to the state for each year that the program is sunset. This program has a positive return to the state of at least $2.78 for every dollar spent. Thus, the result of averaging the authorizations per year, multiplying that by 5 years, then determining the return on investment rate for that investment, and subtracting the initial investment from that return, comes to a lost economic impact of $310,365,898 per year, beginning December 31, 2025.

ASSUMPTION (continued)

None of these fiscal impacts will be on the fiscal note worksheet because it extends beyond the fiscal note period.

Officials at the **Missouri Housing Development Commission** (**MHDC**) assume this proposal imposes a six year sunset on the Affordable Housing Assistance Program (AHAP) unless it is re-authorized by the General Assembly. If at that time, the General Assembly re-authorizes the program, the AHAP will automatically sunset six years after the effective date of the re-authorization. There is a statutory cap of $11 million authorizations per year, available to Missouri, for the AHAP credit. Assuming the General Assembly sunsets the AHAP program, the estimated fiscal impact is $0 - $11,000,000.

This proposal imposes a six year sunset on the MOLIHTC unless it is re-authorized by the General Assembly. If at that time, the General Assembly re-authorizes the program, the MOLIHTC will automatically sunsets six years after the effective date of the re-authorization. MHDC's 2018 Qualified Allocation Plan (QAP) does not allow for the Authorization of new MOLHTCs. Assuming no change, the estimated fiscal impact as it relates to MOLIHTC is zero.

Current §135.352.3, authorizes up to $6 million in state 4% LIHTC each fiscal year and an amount equal to the federal 9% LIHTC. The estimated 2019 Federal LIHTC allocation is $16,850,000.

MHDC's range of impact reflects both the current MOLIHTC FY Authorization, provided for in the QAP, and the Authorization currently available through state statute; and the current AHAP FY Authorization available through state statute. $228,500,000 + $11,000,000 = $239,500,000.

The sunset provisions proposed will not impact AHAP / MOLIHTC redemptions for credits previously issued, provided the credits are issued before the applicable sunset date. As written, this proposal allows for the sun-setting of programs before an authorized development has been issued credits. MOLIHTCs are not issued until the development for which they have been authorized is constructed and ready for occupancy; typically 18-24 months after authorization. The prohibition on redeeming credits for projects authorized/issued in prior years may present significant legal issues to the state for which the fiscal impact cannot be known.

Officials at the **Missouri Development Finance Board** (**MDFB**) assume they administer three tax credit programs that would be impacted by this legislation: Infrastructure tax credits under §100.286; Bond guarantee credits under §100.297; and Business Use for Large-Scale Development (BUILD) under §100.850.

ASSUMPTION (continued)

Infrastructure Tax Credit Program. Credits issued under this section have shown a positive return to the state when using the REMI model. The average return to the state for this program over the last 5 years is $1.09 in revenue generated for every $1 in authorized tax credits. The program currently has a cap of $25 million annually. Assuming a sunset is placed on this program, it could result in a potential total revenue loss of $27 million annually with a net loss of $2 million annually in each year a reauthorization is not approved.

Infrastructure Development Revenue Bond Guarantee Tax Credit Program. Under this program MDFB authorizes but does not issue tax credits to secure loans. The Board utilizes the Bond Guarantee tax credits as a part of its bond security for financing debt on major redevelopment projects. These credits are only issued in the event of a bond payment default. The adoption of legislation that has potential to reduce or eliminate these credits constitutes a default in the security terms of these bonds triggering an immediate call on the $17,152,000 in currently outstanding credits authorized.

Business Use Incentive for Large-Scale Development (BUILD) program. Tax credits issued under this section have shown a positive return to the state when using the REMI model. The average return to the state for this program over the last 5 years is $6.38 in revenue generated for every $1 in authorized tax credits. The program currently has a cap of $25 million annually. Adoption of legislation sunsetting the program could result in a potential loss of $160 million with a net loss of $135 million annually for each year the credit is not reauthorized.

With the BUILD program, the Board authorizes a stream of credits to be issued over a term of up to 15 years (as long as job and capital investment requirements are maintained) and executes a contract with a company stipulating the jobs and investments that must be achieved and maintained to receive the credits in each year. It is the opinion of Board staff and counsel that all contractual obligations authorized under the BUILD program prior to the effective date of this bill would need to be honored regardless of the new legislation.

As shown below, beginning in 2026 these annual impacts would continue for each year that the program(s) does not receive a re-authorization of credits.

Officials at the **Department of Natural Resources** assume if the law (§253.550) sunsets and it is not re-authorized, reducing or eliminating the state tax credit would result in fewer rehabilitation projects submitted to the State Historic Preservation Office (SHPO). This reduction in tax credit applications would thereby reduce the number of hours needed for SHPO staff to review state projects. SHPO may see a drop in the number of projects seeking federal tax credits and rehabilitation reviews because many projects use the dual credits simultaneously.

ASSUMPTION (continued)

The Department's SHPO staff reviews rehabilitation work for the state historic preservation tax credit program to ensure it conforms to the Secretary (of the United States Department) of the Interior's Standards for Rehabilitation. Any changes in the tax credit structure may have an impact on the number of rehabilitation projects the SHPO reviews. Additionally, with reduced number of projects, the fee assessed per tax credit that in part funds the SHPO would also be reduced (Economic Development Advancement Fund 0783).

The Department of Economic Development tracks the financial side of the historic preservation tax credit program and SHPO assists with the rehab design review; therefore, DED is in a better position to quantify the potential economic impacts of limiting tax credits. With the possibility of a reduced program, there may continue to be a rush on the available funds, bringing an increased number of projects and greater workload to the SHPO prior to July 1, 2019, due to the uncertainty of future funding and credit availability.

Oversight will show the loss to the fund as $0 (no credits sunset) to over $100,000 annually. This loss would not occur until FY 2027 if the credits are allowed to sunset.

Officials at the **Department of Agriculture** assume if the legislation passes, then the sunset date for New Generation Tax Credit, Agricultural Product Utilization Contributor Tax Credit, Family Farm Breeding Livestock Tax Credit, Meat Processing Facility Investment Tax Credit, and Qualified Beef Tax Credit would be December 31, 2022 (FY23). Missouri Agricultural and Small Business Development Authority (MASBDA) operates on fee revenues and does not receive any General Revenue or federal revenue to cover administrative & operational costs.

FY 2018 total annual revenue was $4,496,491. MASBDA receives application fees and issuance fees for the New Generation Tax Credit, Family Farm Breeding Livestock Tax Credit, Meat Processing Facility Investment Tax Credit, and Qualified Beef Tax Credit programs. Contributions are received for the Agricultural Product Utilization Contributor Tax Credit, which funds Value-Added Grants and Farm-to-Table Grants. MASBDA receives an administrative fee from each grant awarded.

In FY18, MASBDA received the following revenue by program:

Family Farm received $6,978.35 in application fees.
Qualified Beef received $400 in application fees and $300 in issuance fees.
New Generation received $27,325 in application fees.
Meat Processing received $640 in application fees and $7,169.54 in issuance fees.
Agricultural Product Utilization Contributor Tax Credits generated $4,461,487.65 in contributions, which were used to provide Value Added grants & Farm to Table grants.

ASSUMPTION (continued)

Oversight notes MASBDA is an independent instrumentality exercising essential public functions and not a state agency and does not receive state appropriations. Therefore, Oversight will not show an impact in the fiscal note to MASBDA.

Officials at the **Department of Health and Senior Services** and the **Department of Social Services** each assume there is no fiscal impact from this proposal.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume an unknown impact.

Oversight notes that currently the Missouri Works Program in §620.2020 and the Missouri Works New Jobs Training and Retained Jobs Training Programs in §620.809 are re-authorized as of August 28, 2018 and are to sunset on August 28, 2030. This proposal changes the sunset date to August 28, 2025 for these programs. Oversight notes these programs could sunset in FY 2026 and therefore will show the impact as $0 (these programs are extended) to $132,000,000 ($116 million cap of MO Works + $8 million issuance average of New Jobs Training + $8 million issuance average of Retained Jobs).

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Missouri Works- Business Incentive tax credit program had the following activity;

	FY 2016	FY 2017	FY 2018	FY 2019 (projected)	FY 2020 (projected)
Certificates Issued	4	17	31	92	103
Projects	136	144	141	140	142
Amount Authorized	$114,719,436	$155,506,188	$185,732,973	$172,254,336	$183,158,205
Amount Issued	$23,741,677	$35,547,214	$45,830,250	$95,576,322	$110,506,953
Amount Redeemed	$12,075,789	$35,065,683	$56,398,909	$93,664,796	$108,296,814

Amount Outstanding - $1,559,276.84   Amount Authorized but Unissued - $632,066,458.08

ASSUMPTION (continued)

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Missouri Works New Jobs Training Program tax credit program had the following activity;

	FY 2016	FY 2017	FY 2018	FY 2019 (projected)	FY 2020 (projected)
Projects	5	4	1	4	5
Amount Authorized	$2,611,078	$10,783,057	$10,930,600	$8,000,000	$8,000,000
Amount Issued	$3,199,178	$10,783,057	$10,930,600	$8,000,000	$8,000,000
Amount Redeemed	$2,816,374	$4,379,900	$5,600,211	$6,000,000	$7,000,000

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Missouri Works Job Retention Training Program tax credit program had the following activity;

	FY 2016	FY 2017	FY 2018	FY 2019 (projected)	FY 2020 (projected)
Projects	5	0	1	5	4
Amount Authorized	$9,380,750	$0	$1,384,009	$6,000,000	$4,000,000
Amount Issued	$9,380,750	$0	$1,384,009	$6,000,000	$4,000,000
Amount Redeemed	$6,452,185	$6,028,757	$3,620,586	$8,500,000	$9,500,000

Oversight notes this proposal in §100.286 places a **three** year sunset on the MDFB Infrastructure Tax Credit. Therefore this program could sunset on December 31, 2022 (FY 2023). Oversight will show the savings to the state as $0 (this program is extended) to $12,703,959 (the 5 year issue average for this tax credit).

ASSUMPTION (continued)

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development and the Missouri Development Finance Board regarding this program, the MDFB Infrastructure tax credit program had the following activity;

	FY 2016	FY 2017	FY 2018	FY 2019 (projected)	FY 2020 (projected)
Certificates Issued	222	217	235	225	225
Projects	10	13	20	21	20
Amount Authorized	$9,241,700	$4,600,000	$14,060,000	$10,000,000	$10,000,000
Amount Issued	$14,826,446	$4,985,581	$7,297,632	$17,427,159	$17,427,159
Amount Redeemed	$13,094,319	$13,949,851	$8,129,507	$11,724,559	$11,724,559

Amount Outstanding - $12,335,665 Amount Authorized but Unissued - $14,854,317

Oversight notes this proposal adds sunset language to each tax credit that currently does not have a sunset clause. The following tax credits will sunset on December 31st six years after the effective date of this proposal. This proposal would be effective August 28, 2019 and therefore, these could sunset on December 31, 2025 (FY 2026). Therefore if the tax credits are sunset this would result in increased revenue to the state starting in FY 2027.

Tax Credit	**Cap**	**5 Issue Average**
Neighborhood Assistance §32.115	$16,000,000	$12,339,134
Affordable Housing §32.115	$11,000,000	$8,052,737
Distressed Areas Land Assemblage §99.1205	$20,000,000	$1,103,880
MDFB Bond Guarantee §100.297	$50,000,000	$0
Business Use Incentives for Large Development §100.850	$25,000,000	$10,222,712
Senior Citizen/Disabled Person Property §135.020	None	$103,790,527
New and Expanded Business Facility §135.110	None	$6,461,945
Enterprise Zone §135.225	None	$212,554
Wood Energy §135.305	$6,000,000	$954,897
Charcoal Producers §135.313	None	Expired

Tax Credit		Cap	5 Issue Average
Special Needs Adoption	§135.327	$2,000,000	$309,299
Community Development Bank	§135.403	None	Exhausted Cap
Youth Opportunities	§135.460	$6,000,000	$5,578,865
Guarantee Fee	§135.766	None	Expired
Neighborhood Preservation	§135.481	$16,000,000	$3,122,383
Disabled Access Tax Credit - Small Business	§135.490	None	$9,433
Certified Capital	§135.503	None	Exhausted Cap
Rebuilding Communities	§135.535	$8,000,000	$759,781
Transportation Development	§135.545	$10,000,000	Expired
Shelter for Victims for Domestic Violence	§135.550	$2,000,000	$1,611,644
Qualified Beef	§135.679	$2,000,000	$151,517
Meat Processing	§135.686	$2,000,000	$286,782
Wine and Grape Production	§135.700	None	$43,339
Enhanced Enterprise Zones	§135.967	$24,000,000	$7,062,786
Residential Treatment Agency	§135.1150	None	$369,345
Developmental Disability	§135.1180	None	$32,334
Missouri Healthcare Access Fund	§191.1056	$1,000,000	Not Implemented
Shared Care	§192.2015	None	$65,894
Bank Tax Credit for S Corporation	§143.471	None	$6,970,808
Self-Employed Health Insurance	§143.119	None	$5,899,997
Bank Franchise Tax Credit	§148.064	None	$3,160,136
Advantage Missouri	§173.796	None	Expired
Family Development Account	§208.770	$300,000	$1,785

Tax Credit		Cap	5 Issue Average
Historic Preservation	§253.550	$140,000,000	$55,400,199
Dry Fire Hydrant	§320.093	$500,000	Expired
Seed Capital	§348.302	None	Exhausted Cap
Agricultural Product Utilization Contributor	§348.430	$6,000,000	$2,684,052
New Generation Cooperative	§348.432	$6,000,000	$2,426,382
Family Farm Breeding Livestock Loan Program	§348.505	$300,000	$49,186
Property and Casualty Guaranty	§375.774	None	$0
Life and Health Insurance Guaranty	§376.745	None	$3,198,614
Health Insurance High Risk Pool	§376.975	None	$5,656,733
Brownfield Jobs/Investment	§447.708	None	$39,548
Brownfield Remediation	§447.708	None	$8,456,228
Small Business Incubator	§620.495	$500,000	$193,239
New Enterprise Creation	§620.650	None	Exhausted Cap
Qualified Research	§620.1039	None	Expired
Quality Jobs	§620.1881	$80,000,000	$0*
TOTAL			**$256,678,695**

* no credits issued for projects approved after August 27, 2013.

Oversight notes that several of these credits have expired or the cap is exhausted. For the purpose of the fiscal note, Oversight will use the 5 year issue average of the credit to calculate the increased revenue to the state from these credits sunsetting.

Oversight notes this proposal places a six year sunset on the Missouri Low Income Housing Tax Credit. Oversight notes that on December 19, 2017, the Missouri Housing Development Commission (MHDC) approved a Qualified Allocation Plan that does not allow for the MOLIHTC credits to be authorized. This Qualified Allocation Plan was effective for FY 2018 and continues until such time as another Qualified Allocation Plan is adopted. Oversight notes that the Missouri House of Representatives Budget Committee also voted to prohibit the

ASSUMPTION (continued)

authorization of MOLIHTC credits for FY 2019. No MOLIHTC credits were authorized for FY 2018 or FY 2019. In order for this proposal to be effective the Missouri Housing Development Commission would need to adopt a new Qualified Allocation Plan making this proposal's changes.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development and the Missouri Housing Development Commission regarding this program, the Missouri Low-Income Housing tax credit program had the following activity;

	FY 2016	FY 2017	FY 2018	FY 2019 (projected)	FY 2020 (projected)
Certificates Issued	105	325	285	238	238
Projects	24	36	36	32	32
Amount Authorized	$167,123,390	$166,302,030	$0	$0	$0
Amount Issued	$101,939,700	$188,597,820	$169,066,380	$153,201,300	$153,201,300
Amount Redeemed	$170,028,538	$165,661,698	$169,138,875	$168,276,370	$168,276,370

Amount Outstanding - $865,635,248   Amount Authorized but Unissued - $276,989,810

Per information received from the Missouri Housing Development Commission the current federal cap on the low income housing tax credit for FY 2019 is $168,800,000. Oversight notes the current three year issue average is $168,300,000.

Oversight notes that if the low income housing tax credits are not re-authorized, placing the six year sunset on the credit would not have a fiscal impact. For the fiscal note period, Oversight will not show an impact in FY 2027, from the low income housing tax credit due to the current status of the program.

Oversight notes that should this program be re-authorized in FY 2020 then this proposal would sunset the program in FY 2027 and have a fiscal impact. However, due to the way low income housing credits are authorized (prior to building), issued (generally 2-3 years later after the building is complete and filled with tenants) and redeemed (1/10th the credits over a 10 year period) the total fiscal impact from the sunset could not for at least ten years, be realized in FY 2037. In FY 2037, the low income housing credit would generate an estimated $168,300,000 in General Revenue savings in addition to the $269,382,654 (from the other credits sunsetting). Therefore, the re-authorization of the credits could result in a future savings starting in FY 2037 of $437,682,654 ($168,300,000 + $269,382,654).

ASSUMPTION (continued)

Oversight notes that since MO Works is currently set to expire in FY 2030 and therefore would not have its $132,000,000 fiscal impact in FY 2037.

Oversight notes that should all these tax credits be allowed to sunset, the agencies that administer the tax credits should have a reduction in the FTE that are used to administer the programs. Oversight will show an Unknown savings in FTE from the reduction in staff from the sunsetting of the tax credits.

Oversight notes that this proposal in §143.081 sunsets the tax credit given for income taxes paid in other states. As B&P pointed out, this credit may not be allowed to sunset. Oversight will not show an impact from this portion of the proposal.

Oversight notes that in the new language added to each tax credit it makes clear that nothing shall prohibit the redemption of tax credits issued before a tax credit sunsets. Therefore, credits that are outstanding will be allowed to be redeemed.

Oversight currently does not have the data or resources available to produce independent revenue projections, therefore Oversight uses the same assumptions for revenue growth as the FY 2020 Consensus Revenue Estimate (CRE) for revenue growth in all future years. The CRE assumes an increase in net general revenue collections of $192.6 million for FY 2020.

Oversight notes pursuant to §143.011 - §143.022 (SBs 509 & 496 2014) if the previous fiscal year's net general revenue collections exceed the highest net general revenue collections of the three previous fiscal years by at least $150 million, then there will be a reduction in the individual income tax rate by one-tenth of a percent and a reduction for individual income tax filers of 5% of "business income." These reductions will reduce net General Revenue collections by an estimated $160.0 million annually. Oversight notes the proposed legislation may impact future net revenue collections and could impact future triggering of the rate reductions required under §143.011 - §143.022.

FISCAL IMPACT - State Government	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (could be beyond FY 2027)
GENERAL REVENUE				
Revenue §620.2020 & §620.809 Missouri Works Program and Training Programs sunsetting in 2025 instead of 2030	$0	$0	$0	$0 or $132,000,000
Revenue §100.286 sunset of the MDFB Infrastructure Tax Credit	$0	$0	$0	$0 or $12,703,959
Revenue - Tax credits sunsetting	$0	$0	$0	$0 or $256,678,695
Revenue - §135.352 Low Income Housing Tax Credit sunsetting	$0	$0	$0	$0
Savings - reduction in FTE	$0	$0	$0	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0**	**$0**	**$0**	**$0 or $401,382,654**

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 increase 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 - State Government (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (could be beyond FY 2027)
ECONOMIC DEVELOPMENT ADVANCEMENT FUND				
Revenue Reduction - DNR §253.550 reduction in the Historic Preservation Fee	$0	$0	$0	$0 or (Could Exceed $100,000)
ESTIMATED NET EFFECT ON THE ECONOMIC DEVELOPMENT ADVANCEMENT FUND	**$0**	**$0**	**$0**	**$0 or (Could Exceed $100,000)**

FISCAL IMPACT - Local Government	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (could be beyond FY 2027)
	$0	**$0**	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses that no longer qualify for the sunset tax credit may be impacted.

FISCAL DESCRIPTION

This bill places a six-year sunset on existing tax credits that do not sunset within the next six years. The sunset will take effect on December 31, 2025.

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 Agriculture
Department of Health and Senior Services
Department of Insurance, Financial Institutions and Professional Registration
Department of Natural Resources
Department of Revenue
Department of Social Services
Missouri Housing Development Commission
Missouri Development Finance Board
Office of Administration Division of Budget and Planning

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