COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1961H.02I
Bill No.: HB 755
Subject: Business and Commerce; Department of Economic Development; Tax Credits; Tax Incentives; Economic Development
Type: Original
Date: February 10, 2025

Bill Summary: This proposal incentivizes advanced manufacturing.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue Fund*	Up to ($200,200,427)	Up to ($200,210,782)	Up to ($200,214,368)
Total Estimated Net Effect on General Revenue	**Up to ($200,200,427)**	**Up to ($200,210,782)**	**Up to ($200,214,368)**

*Oversight has reflected the costs up to the maximum $200 million annual cap in tax credits, plus (1) DOR FTE and (1) DED FTE.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue - DOR	1 FTE	1 FTE	1 FTE
General Revenue - DED	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	**2 FTE**	**2 FTE**	**2 FTE**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** assume the Missouri Advanced Manufacturing Recruitment Act (620.1920) begins January 1, 2026. The cap is $200,000,000 per tax year and DED estimates impact would start in FY27. A manufacturing company must invest at least $1,000,000,000 and create 500 or more new jobs, 150 of which must be full time Missouri residents at the time of submission. This program will require 1 FTE to administer the program.

Oversight notes the DED is required to promulgate rules, to provide a report quarterly, after January 1, 2026 and thereafter.

Oversight notes officials from the DED assume the need for (1) FTE to administer the program. Oversight does not have any information to the contrary. Therefore, Oversight will reflect the cost for (1) FTE (Senior Economic Develop. Specialist at $83,784 annually) in the fiscal note, effective FY 2026.

Officials from the **Office of Administration – Budget & Planning (B&P)** note:

Section 620.1920 creates the "Missouri Advanced Manufacturing Act" and the Missouri advanced manufacturing program. This program has an annual cap of $200M. Beginning on or after January 1, 2025, the Department of Economic Development (DED) can award to qualified manufacturing company tax credits that equals up to twenty percent of manufacturing capital investment in four equal installments for up to five years. Eligible companies must submit an application outlining a capital investment of at least $1B and creates 500 or more new jobs, 150 being reserved for Missouri residents.

In order to receive benefits, the company must enter into an agreement with DED detailed performance requirements, repayment penalties for non-performance, and claw back provisions. Companies that are located in the United States that are reshoring manufacturing capacity from the People's Republic of China, or any country designated as a foreign adversary, shall be given priority through an expedited approval process created by DED, who shall make a determination within 60 days of receiving the application. Before January 1, 2026, DED must submit a quarterly report detailing benefits issued to the general assembly.

B&P notes that this proposal places the $200M cap on tax credits issued per year, not tax credits authorized per year. B&P further notes that while DED can only issue 25% of credits to a specific company, they could issue a total of $200M per year over all participating businesses. Therefore, the $200M issuance cap would be equivalent to an $800M authorization cap. In addition, if DED issues the full $200M of credits in the first year, no new businesses would be able to participate in this program until all existing business finishes at year five.

Therefore, this proposal could reduce TSR and GR by up to $200M beginning in FY25.

Officials from the **Department of Revenue (DOR)** note:

This proposal attempts to create a new tax credit program for qualified manufacturing companies. To be eligible the manufacturing company must make a $1 billion manufacturing capital investment and create at least 500 new jobs with 150 reserved for Missouri residents. The Department of Economic Development (DED) would be required to verify the $1 billion expenditure and verify the jobs.

For all tax years beginning on or after January 1, 2026, this proposal says that a qualified manufacturing company can receive a tax credit for up to $20% of their qualified investment. Therefore, a qualified company could receive at least $200M in credits for every $1 billion spent. This proposal states the credits are to be awarded over five years but are to be paid out in four equal installments.

They get the credits after 25% of the investment is made, 50% of the investment is made, 75% of the investment is made and when 100% of the investment is made. While DOR believes that most companies will make this investment over a period of four years, this proposal does not prohibit a company from making 50% of the investment in year 1. Even if a company did that, they could only receive one credit amount annually.

For fiscal note purposes, DOR will assume that each company will make the full investment of capital over four years and will receive the maximum allowed $50 million in credits each year. Therefore, should there be more than 4 companies qualifying for this credit, one company could not participate until year 5.

This proposal states that DED is allowed to issue no more than $200M in refundable tax credits per fiscal year.

Fiscal Year	Credits Issued
Year 1	(Up to $200,000,000)
Year 2	(Up to $200,000,000)
Year 3	(Up to $200,000,000)
Year 4	(Up to $200,000,000)
Year 5	(Up to $200,000,000)

Section 620.1920.12 states that before a company receives the tax credit it must have no tax due statements from DOR and the Department of Commerce & Insurance. Providing this information, would not have a fiscal impact on DOR.

This proposal creates a new tax credit that would require a new line being added to the Form MO-TC and FIT form ($2,200 each), updates to their website and changes to their individual income tax computer system ($1,832) and FIT database ($1,832). These changes are estimated to cost $8,064.

DOR's existing tax credit redemption staff is no longer able to take on any additional tax credits without additional resources. Due to the intensive knowledge of credits that is needed DOR is not able to use temporary staff to help with processing these returns. This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of $37,020 to handle the redemptions.

Oversight notes §620.1920.12 require DOR to verify delinquency (with additional stage agencies) of taxes paid by the prospective taxpayer and if any such a delinquency exist use the tax credit to reconcile the money owed. After the applicable delinquency is paid, the DOR should pay the remaining of the tax credit to taxpayer.

Oversight notes officials from the DOR assume the proposal will have direct administrative impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a cost for (1) FTE (Associate Customer Service Representative at $37,020) to process the returns.

Oversight notes that the proposal, Section 620.1920.3 denotes that a company is allowed a tax credit of up to 20% of a qualified manufacturing capital investment if the qualified manufacturing company:

a) Makes at least 1 billion of a qualified manufacturing capital investment
b) Creates at least 500 jobs

Oversight notes the qualified company has three years after the tax credit approval to meet the 25% threshold. After the 25% threshold is met, the company has 5 years to receive the full tax credit maximum. If the company makes the qualified investment the first year the company is automatically allowed to start receiving the tax credits, but the maximum amount of tax credit that taxpayer can receive is still the 20% of the total investment. (Investor with $1 billion is allowed to receive $200 million in tax credits in 25% increments over 5 year period)

Oversight notes recent article from Business Expansion Journal notes: Three global manufacturing companies are currently investing more than $1 billion in new facilities or expansions in different parts of the St. Louis region, and another $1.2 billion investment is planned on the downtown St. Louis Riverfront.

Oversight is not sure how many companies will be eligible in FY 2026 and thereafter, but for purpose of this fiscal note, **Oversight** will assume the maximum amount of tax credit ($200 million) may be awarded in FY 2026.

Based on DED's, response, **Oversight** assumes the benefits is limited to tax credits and does not include the option for retained withholdings. Therefore, Oversight will limit the cost to the maximum $200 million cap in program benefits.

Additionally, if the manufacturer violates written agreement, DED may retrieve the money awarded in tax credits. Therefore, Oversight will note an unknown positive amount in revenue effective FY 2026.

Section 135.800 – Tax Credit Accountability Act

Oversight notes this section adds Section 620.1920 to a list of tax credits that adhere to the overall rules under this Section.

Oversight notes adding an advanced manufacturing recruitment tax credit to this Section will have no additional fiscal impact to the agencies. Therefore, for purpose of this fiscal note will reflect zero impact stemming from this change.

Officials from the **Oversight Division** state they are responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, Oversight can absorb the cost with the current budget authority.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to the previous version of the bill, officials from the **Office of the Secretary of State (SOS)** noted that 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 $5,000. 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 its 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.

FISCAL IMPACT – State Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE			
Cost – Section 620.1920 Missouri Advanced Manufacturing Act - annual cap of $200 million p.5	Up to ($200,000,000)	Up to ($200,000,000)	Up to ($200,000,000)

FISCAL IMPACT – State Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
Revenue Gain – Section 620.1920 7. (2) Claw back provision p.5-6	Unknown	Unknown	Unknown
Costs – Section 620.1920 DED FTE			
Personnel Service	($69,820)	($85,460)	($87,169)
Fringe Benefits	($41,144)	($50,044)	($50,729)
Expense & Equipment	($19,729)	($6,022)	($6,143)
Total Costs – DED p.3	($130,693)	($141,526)	($144,041)
Total FTE	1 FTE	1 FTE	1 FTE
Costs – Section 620.1920 DOR FTE			
Personnel Service	($30,850)	($37,760)	($38,516)
Fringe Benefits	($25,525)	($30,926)	($31,229)
Expense & Equipment	($13,359)	($570)	($582)
Total Costs – DOR p.4	($69,734)	($69,256)	($70,327)
Total FTE	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	**Up to ($200,200,427)**	**Up to ($200,210,782)**	**Up to ($200,214,368)**
Estimated Net FTE Change on General Revenue	2 FTE	2 FTE	2 FTE

FISCAL IMPACT – Local Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
	$0	**$0**	**$0**

FISCAL IMPACT – Small Business

A direct fiscal impact to small businesses would be expected as a result of this proposal where some business will be able to access tax credit under Section 620.1920.

FISCAL DESCRIPTION

Beginning January 1, 2026, a qualified manufacturing company may be allowed a tax credit of up to 20% of a capital investment in property within the State of Missouri for a period of 5 years. The capital investment must equal at least $1 billion and create 500 or more jobs, 150 of which must be reserved for full-time Missouri residents at the time of hiring. Qualifying full-time

employees must work an average of at least 35 hours per week for a 12-month period and receive an annual wage equal to or above the county average. The total amount of tax credits issued annually under this section must not exceed $200 million dollars per tax year.
A qualified manufacturing company must submit an application to the Missouri Department of Economic Development in order to be eligible for consideration. A qualified company must also enter into a written agreement with the Department that details performance requirements and repayment penalties in the event of nonperformance. The agreement will specify, at a minimum:

(1) The committed number of retained jobs, payroll, and new qualified manufacturing capital investment for each year during the project period;

(2) Clawback provisions, as may be required by the Department; and

(3) Any other provisions the Department may require.

In determining the amount of tax credits to award to a qualified company, DED must consider the following factors:

(1) The significance of the qualified manufacturing company's need for program benefits;

(2) The amount of projected economic impact to the State from the project and the period in which the State would realize the net fiscal benefit;

(3) The overall size and quality of the proposed project, including the number of new jobs, new qualified manufacturing capital investment, proposed wages, growth potential of the qualified manufacturing company, the potential multiplier effect of the project, and similar factors;

(4) The financial stability and creditworthiness of the qualified manufacturing company;

(5) The level of economic distress in the area; and

(6) An evaluation of the competitiveness of alternative locations for the project facility, as applicable.

The Department will award tax credits to a qualified manufacturing company that satisfies the qualified manufacturing capital investment requirement in four separate installments of equal value, equivalent to 1/4 of the total agreed upon value of awarded incentive when the value reaches:

(1) 25% of the agreed-upon qualified capital investment;

(2) 50% of the agreed-upon qualified capital investment;

(3) 75% of the agreed-upon qualified capital investment; and

(4) 100% of the agreed-upon qualified capital investment.

Qualified manufacturing companies will have three years after the Department has approved a tax credit to meet 25% of its qualified manufacturing capital investment. Once the 25% threshold is met, a qualified company has five years to receive the full agreed-upon tax credits. If a qualified company does not meet the 25% threshold by year three, the agreement is deemed void.

A qualified company must provide an annual report detailing the number of jobs and other information as may be required by the Department no later than 90 days prior to the end of the qualified company's tax year. Tax credits may be claimed within one year of the close of the tax year for which they were issued.

If a qualified manufacturing company is owned by entities domiciled in the United States and such manufacturing company is relocating or reshoring from China or any country designated as a foreign adversary, as designated in 15 C.F.R. 7.4, to a project facility in Missouri, the Department will expedite the approval process by giving priority to the application. The Department must make a determination on expedited applications within 60 days of receipt.

Before January 1, 2027, and the first day of each quarter thereafter, the Department must present a quarterly report to the General Assembly that details the benefits of the program. These provisions sunset on December 31, 10 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

Office of Administration – Budget & Planning
Department of Revenue
Department of Economic Development
Office of the Secretary of State
Oversight Division
Joint Committee on Administrative Rules

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February 10, 2025

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