

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1684-01  
Bill No.: HB 575  
Subject: Business and Commerce; Economic Development; Tax Credits  
Type: Original  
Date: February 10, 2009

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Bill Summary: This proposal modifies the Missouri Business Use Incentives for Large-Scale Development Act.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposal modifies provisions of the Missouri BUILD program. The minimum number of new jobs an eligible office industry must create is lowered from 500 to 350. The bill also relaxes other tax credit approval requirements. These modifications could allow additional companies to qualify for the tax credits. The maximum amount available under the program is \$15 million. Approximately \$5 million were redeemed in tax credits in FY 2008. BAP does not have data to estimate the number of additional companies that could qualify under the modified program. Also, the proposal may stimulate other economic activity, but BAP does not have data to estimate the induced revenues. DED may have such an estimate.

Officials from the **Department of Economic Development** assumes this proposal would result in an unknown impact to Total State Revenues. The bill would have no impact otherwise.

Officials from the **Department of Revenue** assume the proposal will not impact their agency.

**Oversight** assumes the changes in the proposal could increase the utilization of the BUILD program and therefore increase the amount of tax credits issued. Over the previous four fiscal years, the amount of tax credits issued under this program has averaged \$7.3 million. Therefore, an average of \$7.7 million of BUILD tax credits remains beneath the \$15 million annual cap. Oversight assumes the annual limit for the program has not changed from \$15 million annually. Since Oversight has already reflected the potential cost of this program of up to \$15 million in previous fiscal notes, Oversight will not reflect additional lost revenue from the changes in this bill.

The amount of issuance and redemptions for this program for the previous four years has been;

Fiscal Year	Issuances	Redemptions
FY 2008	\$7,489,456	\$4,975,510
FY 2007	\$7,032,080	\$6,859,745
FY 2006	\$6,247,701	\$5,402,416
FY 2005	\$8,419,707	\$3,770,557

**Oversight** assumes there could be some positive economic impact to the state as a result of these changes; however, Oversight assumes these would be indirect fiscal impacts and have not reflected them in the fiscal note.

ASSUMPTION (continued)

This proposal could reduce Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

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

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SOURCES OF INFORMATION

Department of Economic Development  
Office of Administration - Budget and Planning  
Department of Revenue



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February 10, 2009