COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4463-04
Bill No.: SB 813
Subject: Business and Commerce; Economic Development
Type: Original
Date: February 2, 2010

Bill Summary: This proposal provides the director of the Department of Economic Development discretion to increase tax incentives under certain programs for the benefit of Missouri businesses.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ ‘ 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 2011	FY 2012	FY 2013
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development** assume the proposal would result in an unknown impact to their agency due to the impact on total state revenue.

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposal modifies various tax credit programs to allow the director of DED to increase tax incentives for qualified existing Missouri businesses. The director may increase the awards by 2 percent for every 5 years a company has been in Missouri, up to a limit of 10 percent. The programs are as follows:

Section 99.845.15 - allows the DED director to increase the appropriation available for distribution via the TIF program. This proposal would not reduce general and total state revenues, but may increase appropriations. Total appropriations under the TIF program may not exceed $32M annually; $13.2M was appropriated for FY 10.

Section 135.535 - changes allow the DED director to increase the tax credit otherwise entitled under the Rebuilding Communities credit. The annual cap on this credit is $8M; however, redemptions have averaged less than $2M the last three fiscal years. This proposal may increase the issuances of this credit, and therefore the redemptions, which may decrease general and total state revenues. DED may have an estimate of increased credit redemptions as a result of this program. This program may encourage other economic activity, but BAP does not have data to estimate the induced revenues. DED may have such an estimate.

Section 135.967.5 - changes allow the DED director to increase the tax credit otherwise entitled under the Enhanced Enterprise Zone program. The annual cap on this credit is $24M; however, redemptions have averaged less than $2M the last three fiscal years, and are projected to less than $4M in FY 11. This proposal may increase the issuances of this credit, and therefore the redemptions, which may decrease general and total state revenues. DED may have an estimate of increased credit redemptions as a result of this program. This program encourages other economic activity, but BAP does not have data to estimate the induced revenues. DED may have such an estimate.

Section 178.762 - changes allow the DED director to increase the withholding credits otherwise entitled under the Job Retention Training Program. This proposal will not decrease general and total state revenues, but to the extent this program redirects withholding from existing jobs that are being retained, fewer general revenue dollars will be available for appropriation.

ASSUMPTION (continued)

Section 178.894 - changes allow the DED director to increase the withholding credits otherwise entitled under the Community College New Jobs Training Program. This proposal will not decrease general and total state revenues. This program encourages other economic activity, but BAP does not have data to estimate the induced revenues. DED may have such an estimate

Section 620.1881 - changes allow the DED director to increase the withholding retention, and therefore the tax credits, otherwise entitled under the Quality Jobs program. This may lead to increased tax credit issuances. The annual cap on this credit is $80M; however, redemptions are projected to be $32M in FY 11. This proposal may increase the issuances of this credit, and therefore the redemptions, which may decrease general and total state revenues. DED may have an estimate of increased credit redemptions as a result of this program. This program encourages other economic activity, but BAP does not have data to estimate the induced revenues. DED maintains that the economic benefit of the jobs created under the program offset any incentives issued.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many insurance companies will choose to participate in these programs 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 through out 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 should an increase in the amount of available credits be approved.

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

Oversight assumes this proposal gives the Department of Economic Development the ability to authorize additional benefits for certain business expansion projects. Oversight assumes the various programs specified in the proposal will still not be allowed to issue benefits over their annual limit, aggregate debt limit, or specified project appropriation. Therefore, Oversight assumes the overall potential fiscal impact for the stated programs have already been represented in prior fiscal notes. Therefore, although this proposal may result in an increased issuance of state tax credits, withholding retention or other state benefits, Oversight will assume the proposal will not result in additional fiscal impact that has not already been shown on prior fiscal notes.

This proposal could result in a decrease in Total State Revenues.

RS:LR:OD (12/02)

FISCAL IMPACT - State Government	FY 2011 (10 Mo.)	FY 2012	FY 2013
	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2011 (10 Mo.)	FY 2012	FY 2013
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses that qualify for additional benefits would be positively impacted as a result of this proposal.

FISCAL DESCRIPTION

This act modifies provisions of various tax incentive programs to allow the director of the Department of Economic Development to increase tax incentives available for Missouri businesses upon a finding of economic benefit to the state.

The act allows the director of the Department of Economic Development to increase the amount of appropriation from the economic development supplemental tax increment financing fund, for redevelopment projects or plans which result in net new jobs from the relocation, or expansion, of a Missouri business. Such appropriation may be increased by as much as two percent for every continuous five year period the company was a Missouri business up to a total increase of ten percent.

The director of the Department of Economic Development may, upon a finding of economic benefit to the state, increase the amount of incentives available for Missouri businesses under the rebuilding communities tax credit program; enhanced enterprise zone tax credit program; job retention program; new job training program; or quality jobs tax credit program by as much as two percent for each continuous five year period the business has been a Missouri business, but not to exceed a total increase of ten percent.

RS:LR:OD (12/02)

FISCAL DESCRIPTION (continued)

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

SOURCES OF INFORMATION

Department of Economic Development
Department of Revenue
Office of Administration - Budget and Planning
Department of Insurance, Financial Institutions and Professional Registration

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