

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5099-02  
Bill No.: Perfected HCS for HB 1245  
Subject: Economic Development; Business and Commerce; Economic Development  
 Department  
Type: Original  
Date: May 1, 2012

Bill Summary: This proposal modifies provisions relating to the Missouri Quality Jobs Act.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(Unknown greater than \$10,060,447)	(Unknown greater than \$10,065,917)	(Unknown greater than \$10,066,634)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown greater than \$10,060,447)</b>	<b>(Unknown greater than \$10,065,917)</b>	<b>(Unknown greater than \$10,066,634)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Missouri Jobs for Education Fund	\$0	\$0	\$0
<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 10 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<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>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	1 FTE	1 FTE	1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>	<b>1 FTE</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>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Local Government</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Budget and Planning** assume this proposal may reduce General and Total State Revenues by an unknown amount. This proposal may encourage other economic activity. Budget and Planning cannot estimate the induced revenues. The Department of Economic Development may have such an estimate.

Officials at the **Department of Economic Development (DED)** assume this proposal revises the Missouri Quality Jobs program, which is administered by DED's Division of Business and Community Services. The overall annual cap of \$80 million is not affected; however, the proposal includes additional incentives under the program, which may increase the number of applications for the program. Reporting requirements to the House and Senate are added and the proposal also allows for recapture of tax credits if the qualified company does not meet requirements, which creates additional oversight and administration. DED's analysis of the program indicates a positive net fiscal benefit; therefore, DED assumes a positive fiscal impact over \$100,000 as a result of the proposal.

DED requests one FTE, an Economic Development Incentive Specialist III (\$40,212) position, per the additional administration created by the proposal. The position would be responsible for reviewing the tax credit applications to make sure they meet the criteria of the program, certifying the project, drafting and sending the tax credit awards, and ensuring compliance with the program.

**Oversight** assumes since the program cap has not changed that DED could absorb the increased number of applications generated by this proposal. If there is a measurable increase in the number of applications as a direct result of this proposal then DED could request additional resources through the appropriation process.

**Oversight** assumes the many programs and changes to existing programs in this proposal could have a positive impact on the state. However, Oversight considers this to be indirect impact of the proposal and will not reflect them in the fiscal note.

### Sections 67.3000 and 67.3005 Sporting Event Tax Credit

Officials at the **Budget and Planning (BAP)** assume no impact on BAP. However, this proposal would allow \$10 million in tax credits annually, based on ticket sales and eligible event costs, in order to attract sporting events. This proposal could therefore lower General and Total State Revenues up to this amount annually.

ASSUMPTION (continued)

This proposal creates a tax credit program, up to \$10 million annually, for eligible donations made to certified sponsors or local organizing committees related to attracting sporting events to Missouri. These agencies would be required to submit payment to the state in an amount equal to 50% of the donation, the equivalent amount of the tax credit. Therefore, this proposal would not directly impact General and Total State Revenues.

Officials at the **Department of Economic Development (DED)** assume their Business Division anticipates that the implementation of this tax credit program would result in the need for one additional FTE to administer the program. The FTE would be an Economic Development Incentive Specialist III (\$40,212) and would be responsible for reviewing the tax credit applications to make sure they meet the criteria of the program, certifying the project, determining the geographic boundaries of the market area for the event, drafting and sending the tax credit awards and ensuring compliance with the program. The related costs for this FTE include one-time expenditures for systems furniture, a side chair, file cabinet, computer, calculator and telephone and recurring costs for professional development and travel. The cap for the new tax credit programs are \$20 million per fiscal year, so there would be an estimated negative impact to total state revenue on this same amount. However, this negative impact would be offset by an unknown short-term positive economic benefit as a result of the increase in economic activity; therefore, we are unable to determine the exact amount of the impact.

Officials at the **Department of Revenue (DOR)** assume the department and ITSD-DOR will need to make programming changes to various tax systems and form changes. DOR's Personal Tax Division assumes the need of one Revenue Processing Technician I per 4,000 credits claimed. Additionally, DOR's Corporate Division assumes the need of one Revenue Processing Technical I per 6,000 additional tax credit redemptions.

**Oversight** assumes this tax credit is limited in scope, and that the Department of Revenue will not incur the number of credit redemptions (count) that will require additional FTE. If this proposal created a significant unanticipated increase in the DOR workload, or if multiple such proposals were implemented, resources could be requested through the budget process.

Officials at the **Joint Committee on Administrative Rules** assume that there is no fiscal impact from this proposal.

ASSUMPTION (continued)

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 this program and take advantage of the tax credits. The department has no means to arrive at a reasonable estimate of loss in premium tax revenue as a result of 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.

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.

**Oversight** will range the fiscal impact of the programs from \$0 (no additional tax credits would be issued) to the annual limit of \$10 million for the promotional tax credits. **Oversight** assumes there would be some positive economic benefit to the state as a result of the changes in this proposal; however, **Oversight** considers these benefits to be indirect and therefore, have not reflected them in the fiscal note. For fiscal note purposes only, **Oversight** will not indicate any impact for the pre-purchase form of tax credits.

**Section 620.1881 Missouri Quality Jobs**

Officials at the **Department of Economic Development (DED)** assume this proposal revises the Missouri Quality jobs program under Section 620.1881 by adding "or quality job loss" under the definition for a job retention project, Section (4)(c) and lowering the minimum investment amount from \$70 million to \$50 million in new investment within 5 years, Section (4)(d). The revisions also extend the job retention. These revisions may increase the number of applications for the program, but does not impact the overall cap of the program. This program requires a positive economic benefit in order for the project to be approved; therefore, DED assumes a positive fiscal impact over \$100,000 as a result.

**Oversight** assumes no impact from this proposal as the cap of the program is not changed.

**Section 620.2450 Missouri Jobs for Education Program**

Officials from the **Department of Economic Development - Division of Workforce Development (DWD)** assume the DWD, in conjunction with the Department of Revenue, would be responsible for the tracking, accountability and reporting of this program.

The proposal would require an existing employee to devote at least 50% of their time to this program. At this time, DWD feels they can use existing resources. If, in the future, additional personal services are needed, DWD will go through the budget process to request an additional FTE.

Officials from the **Department of Revenue (DOR)** assume this proposal creates a mechanism for employers to create new jobs and for the withholding withheld by the new jobs, to be diverted to "credit toward tuition." DOR is not clear of its involvement in this process, but if the process is similar to Quality Jobs, DOR would require additional staff.

Two (2) Revenue Processing Technicians I (Range 10, Step L) will be required to handle phone calls and correspondence related to the program.

**Oversight** assumes it is unknown how many businesses may participate in this program. If a significant workload increase is created by this program, DOR may request additional personal services through the appropriations process.

Officials from the **Department of Higher Education, Department of Labor and Industrial Relations, State Tax Commission, Missouri Western State University** and the **Office of State Treasurer** state this proposal will have no fiscal impact on their respective agencies.

In response to similar legislation filed this year, HB 1728 the following responded:

Officials from the **Budget and Planning (BAP)** state this proposed legislation should not result in additional costs or savings to BAP.

BAP states this proposal creates the Missouri Jobs for Education Program, which allows qualifying businesses to receive a credit for tuition at a Missouri public institution of higher education based on job creation requirements. Funding for the credit will be derived from Missouri employee withholding taxes paid by a business that are diverted to the Missouri Jobs for Education Fund. This will reduce general revenue by an unknown amount.

Officials from **Kansas City Metropolitan Community College** assume this proposal would have a positive, but unknown, fiscal impact on their college.

ASSUMPTION (continued)

Officials from **Linn State Technical College** state the fiscal impact is unknown.

Officials from the **University of Central Missouri** assume this proposal would have no immediate fiscal impact on their university, but could result in revenue increases if tuition credits caused increases in enrollment.

Officials from **Missouri State University (MSU)** state, that not knowing the available funds for tuition credit and the job growth requirement, they can assume that for every qualified person who attends MSU and takes six credit hours part time per semester would produce incremental revenue of approximately \$2,950 annually.

**Section 1354.953 Blight**

Officials at the **Department of Economic Development** assume there is no fiscal impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
<b>GENERAL REVENUE</b>			
<u>Revenue Reduction</u> - Tax credit for attracting sporting events to Missouri (67.3000)	\$0 to (Up to \$10,000,000)	\$0 to (Up to \$10,000,000)	\$0 to (Up to \$10,000,000)
<u>Cost</u> - Dept Economic Development			
Personal Service (1 FTE)	(\$33,510)	(\$40,614)	(\$41,020)
Fringe Benefits	(\$17,740)	(\$21,501)	(\$21,716)
Equipment and Expense	(\$9,197)	(\$3,802)	(\$3,898)
<u>Total Cost</u> - DED (Section 67.3000)	(\$60,447)	(\$65,917)	(\$66,634)
FTE Change - DED	1 FTE	1 FTE	1 FTE
<u>Revenue Reduction</u> - Department of Revenue - Reduction in employee taxes	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(Unknown greater than \$10,060,447)</u></b>	<b><u>(Unknown greater than \$10,065,917)</u></b>	<b><u>(Unknown greater than \$10,066,634)</u></b>
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE
<b>MISSOURI JOBS FOR EDUCATION FUND</b>			
<u>Transfer In</u> - General Revenue	Unknown	Unknown	Unknown
<u>Disbursements</u> - Colleges and Universities - College credit tuition	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON MISSOURI JOBS FOR EDUCATION FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
<b>LOCAL POLITICAL SUBDIVISION FUNDS</b>			
<u>Income - Colleges - College credit tuition</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISION FUNDS</b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>

FISCAL IMPACT - Small Business

Small businesses could see an increase in revenue due to more sporting events in the State. Small businesses could benefit from reduced employee taxes.

FISCAL DESCRIPTION

The act creates a refundable income and financial institutions tax credit which may be available for sports commissions, convention and visitors bureaus, certain nonprofit organizations, counties, and municipalities to offset expenses incurred in attracting sporting events to the state. Applicants for the tax credit must submit game support contracts to the Department of Economic Development for approval. The tax credit will be equal to the lesser of five dollars for each admission ticket sold for the event or one hundred percent of eligible expenses incurred. No more than ten million dollars in tax credits may be issued per fiscal year.

The act also creates an income, financial institutions, and corporate franchise tax credit equal to fifty percent of the amount of an eligible donation made, on or after January 1, 2012, to a certified sponsor or local organizing committee for the purposes of attracting sporting events to the state. The tax credit may not be applied against withholding taxes. Certified sponsors and local organizing committees may apply to the Department of Economic Development for the tax credits. Applications for tax credits must be accompanied by payment in an amount equal to the tax credits requested. The Department of Economic Development is prohibited from issuing more than ten million dollars in tax credits each fiscal year.

This proposal establishes the Missouri Jobs for Education Program to provide a tuition credit for certain business owners or companies who create new full-time jobs in Missouri that can be used by the business owner or a person of his or her choice toward tuition at any public institution of higher learning in the state. A qualifying business owner or company will receive one credit

FISCAL DESCRIPTION (continued)

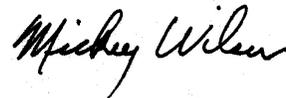
toward tuition for every qualifying job created. The credit must be used within 10 years of the date it is awarded or it will be deposited into general revenue.

The Department of Economic Development (DED) must administer the program which must be funded from employee withholding taxes. DED must track employer contributions and ensure that the credit toward tuition does not exceed the amount that has been deposited by the employer.

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

Budget and Planning  
Department of Economic Development  
    Division of Workforce Development  
Department of Higher Education  
Department of Insurance, Financial Institutions and Professional Registration  
Department of Labor and Industrial Relations  
Department of Revenue  
Joint Committee on Administrative Rules  
Linn State Technical College  
Metropolitan Community College  
Missouri State University  
Missouri Western State University  
Office of State Treasurer  
State Tax Commission  
University of Central Missouri



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