COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0031-07
Bill No.: Perfected SS for SCS for SB 8
Subject: Abortion; Agriculture and Animals; Banks and Financial Institutions; Business and Commerce; Charities; Children and Minors; Conservation Dept.; Corporations; Disabilities; Economic Development; Economic Development Dept.; Enterprise Zones; Environmental Protection; Health Care; Historic Preservation; Insurance - General; Taxation and Revenue - General; Taxation and Revenue - Income; Taxation and Revenue - Property; Taxation and Revenue - Sales and Use; Tax Credits
Type: Original
Date: September 13, 2011

Bill Summary: This proposal modifies provisions of Missouri tax credit programs in accordance with recommendation made by the Missouri Tax Credit Review Commission Report.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
GENERAL REVENUE	Unknown greater than $104,620,915 to (Unknown greater than $47,680,549)	Unknown greater than $138,620,915 to (Unknown greater than $83,039,186)	Unknown greater than $156,620,915 to (Unknown greater than $106,818,671)
Total Estimated Net Effect on General Revenue Fund	**Unknown greater than $104,620,915 to (Unknown greater than $47,680,549)**	**Unknown greater than $138,620,915 to (Unknown greater than $83,039,186)**	**Unknown greater than $156,620,915 to (Unknown greater than $106,818,671)**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 38 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
CONSERVATION COMMISSION FUND	(Unknown)	(Unknown)	(Unknown greater than $100,000)
PARKS, SOIL & WATER FUND	(Unknown)	(Unknown)	(Unknown greater than $100,000)
SCHOOL DISTRICT TRUST FUND	(Unknown)	(Unknown)	(Unknown greater than $100,000)
NEIGHBORHOOD PRESERVATION TAX CREDITS FOR DISASTER RELIEF FUND	$0	$0	$0
COMPETE MO JOBS DEVELOPMENT FUND	$0	$0	$0
COMPETE MO JOBS COMMUNITY COLLEGE NEW JOBS TRAINING FUND	$0	$0	$0
COMPETE MO JOBS COMMUNITY COLLEGE JOB RETENTION TRAINING FUND	$0	$0	$0

COMPETE MO JOB CREATION TAX CREDIT PROGRAM FUND	$0	$0	$0
COMPETE MO JOB RETENTION TAX CREDIT PROGRAM FUND	$0	$0	$0
Total Estimated Net Effect on Other State Funds	**(Unknown)**	**(Unknown)**	**(Unknown greater than $300,000)**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
GENERAL REVENUE	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	**3 FTE**	**3 FTE**	**3 FTE**

☒ 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 2012	FY 2013	FY 2014
Local Government	**(Unknown)**	**(Unknown)**	**(Unknown greater than $100,000)**

FISCAL ANALYSIS

ECONOMIC DEVELOPMENT PROVISIONS

Section 32.115 Affordable Housing Tax Credit and the Neighborhood Assistance Tax Credit

Officials at the **Missouri Housing Development Commission** assume this section would sunset the AHAP tax credits as of August 28, 2015. This would result in an eventual reduction of redemptions and corresponding increase in General Revenue. However, because the AHAP has a 10-year carry forward provision, taxpayers could potentially continue to redeem AHAP credits through FY25.

Oversight assumes this proposal would prohibit the issuance of any further Affordable Housing tax credits under this program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

Oversight assumes this proposal stops the issuance of the Neighborhood Assistance tax credit upon passage of this proposal. This program has an annual cap of $16 million. In FY 2010, the tax credit issued $10,284,768 in credits and $10,065,992 were redeemed. **Oversight** for the fiscal note is showing the amount of increased revenue to the State as being equal to the average amount issued over the last five years.

Sections 67.3000 & 67.3005 Sporting Event Tax Credit

Officials at the **Budget and Planning** (**BAP**) assume this proposal would allow $3 million in tax credits annually, based on ticket sales and eligible event costs, in order to attract sporting events to Missouri. This proposal could therefore lower general and total state revenues up to this amount annually. Additionally, this proposal creates a tax credit program, up to $10 million annually, for eligible donations made to certified sponsors or local organizing committees. These agencies are required to submit payment to the state in amount equal to 50% of the donation, the equivalent amount of the tax credit. Therefore, this proposal will not directly impact general and total state revenues.

This proposal may encourage other economic activity, but BAP does not have data to estimate the induced revenues.

Oversight notes that this program would allow for the issuance of $3 million in tax credits per year for the purpose of attracting large-scale sporting events to the state. The program would also provide for up to $10 million per year in tax credits for the support of operating costs of the events, but the event promoters would purchase the tax credits in advance from the state.

ASSUMPTION (continued)

Officials at the **Department of Economic Development** (**DED**) anticipate 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 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, calculator and telephone and recurring costs for office supplies, computer, professional development and travel. The cap for this new tax credit is $13 million per fiscal year, so there would be a negative impact to total state revenue. However, this negative impact would be offset by an unknown short-term positive economic benefit as a result of this increase, so the exact amount of the impact cannot be determined. A sunset date is established of August 28, 2017.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional position to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the **Oversight** Subcommittee of the Joint Committee on Legislative Research.

Oversight assumes DED's estimate of expense and equipment cost for the new FTE could be overstated. If DED is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2012 could be reduced by roughly $6,400.

Oversight will range the fiscal impact of the programs from $0 (no additional tax credits would be issued) to the annual limit of $3 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.

100.286 MDFB Infrastructure

Oversight assumes this proposal stops the issuance of the tax credit upon passage of this proposal. This program has a $15,000,000 annual cap. In FY 2010, the tax credit issued $39,203,730 in credits and $13,970,215 were redeemed. **Oversight**, for the fiscal note, is showing the amount of increased revenue to the State as being equal to the average amount issued over the last five years.

ASSUMPTION (continued)

Section100.297 MDFB Bond Guarantee Tax Credit Program
Oversight assumes this proposal stops the issuance of this tax credit upon passage of this proposal. This program has a $50 million an annual cap. In FY 2010, the tax credit issued $0 in credits and $0 were redeemed. No tax credits for this program have been redeemed in the last 5 years. Oversight for the fiscal note will show no impact from this proposal on state revenue.

Section 135.090 Surviving Spouse Tax Credit
Oversight assumes this tax credit was to sunset on August 28, 2013. This proposal extends the tax credit and therefore **Oversight** will show the loss to state revenue of the tax credits issued in FY 14. **Oversight** for the fiscal note is showing the amount of loss of revenue to the State as being equal to the amount issued in FY 10.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

Sections 135.326 & 135.327 Special Needs Adoption/Children In Crisis Tax Credit
Officials at the **Budget and Planning** (**BAP**) assume this proposal would make international adoptions ineligible for reimbursement under the Adoption Tax Credit program. BAP defers to the DOR for an estimate of any savings.

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

Oversight assumes this proposal changes the definition of nonrecurring adoption expenses. It is unclear the amount of savings that would result in the number of tax credits issued. **Oversight** will show the savings as Unknown.

Oversight assumes this tax credit was to sunset on August 28, 2012. This proposal extends the tax credit and therefore **Oversight** will show the loss to state revenue of the tax credits issued in FY 13 and FY 14. **Oversight** for the fiscal note is showing the amount of loss of revenue to the State as being equal to the average amount issued over the last five years.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

ASSUMPTION (continued)

Section 135.350 and 135.352 Low-Income Housing Tax Credit
In response to SCS for SB 280 the Missouri Housing Development Commission (MHDC) provided this estimate of projected future tax credit usage under current law.

FY 2012	$165,756,074
FY 2013	$165,619,651
FY 2014	$165,719,974
FY 2015	$171,369,949
FY 2016	$175,235,605
FY 2017	$174,524,170

This provision would limit the issuance of Missouri Low Income Housing Tax Credits to $110 million per year for projects authorized on or after July 1, 2011 that are financed without bonds. For each fiscal year thereafter there is a reduction in the cap. The tax credits could be carried back two years and carried forward five years.

This provision would limit the issuance of Missouri Low Income Housing Tax Credits to $15 million per year for projects authorized on or after July 1, 2011 that are financed with bonds. For each fiscal year thereafter there is a reduction in the cap. The tax credits could be carried back two years and carried forward five years.

Oversight notes that this provision, if enacted, would substantially reduce the issuance of Missouri Low Income Housing Tax Credits. **Oversight** also assumes that the reduction would begin to have an impact in FY 2013 since projects approved after June 30, 2011 would not result in tax credits issued until after the end of FY 2012. For fiscal note purposes, **Oversight** will indicate additional revenue from the reduction in tax credits for FY 2013 and 2014.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under th program after August 28, 2018. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2019.

Section 135.460 Youth Opportunities Tax Credit
Oversight assumes this proposal would prohibit the issuance of any further tax credits under th program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

ASSUMPTION (continued)

Sections 135.478 & 135.484 Neighborhood Preservation Tax Credit
Oversight assumes this proposal creates the Neighborhood Preservation Tax Credits for Disaster Relief Fund for the funding source of this tax credit. The legislature will appropriate money to be used for this tax credit yearly. If no money is appropriated then no tax credits can be issued. Once money is transferred to the funds then the Department of Economic Development can approve the distribution of the tax credits. Upon redemption of each tax credit an amount equal to the tax credit would be transferred from the fund to general revenue.

Oversight is assuming that the amount of money initially transferred to the Neighborhood Preservation Tax Credits for Disaster Relief Fund is Zero no money transferred up to the yearly cap.

Oversight states that this proposal requires the Department of Revenue and the Office of the State Treasurer, as tax credits are redeemed, to transfer from the Neighborhood Preservation Tax Credits for Disaster Relief Fund to general revenue an amount equal to the tax credit redeemed.

Oversight assumes that due to the timing of the appropriation for the streaming credit issuances that FY 2013 may see a significant increase in funding from General Revenue to the Neighborhood Preservation Tax Credits for Disaster Relief Fund while future years may be decreased. Oversight has not shown that fluctuation in the fiscal note as it is unclear how is should be determined.

Section 135.490 Disabled Access Small Business Tax Credit
Oversight assumes this proposal would prohibit the issuance of any further tax credits under the program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

Section 135.535 Rebuilding Communities Tax Credit
Officials at the **Budget and Planning** (**BAP**) assume this proposal sunsets the Rebuilding Communities Tax Credit program upon its enactment. Redemptions under this program totaled $1.3 million in FY 11. Associated economic activity may be reduced. BAP cannot estimate the potential loss of induced revenues as a result of this proposal.

Oversight assumes this proposal removes the provision allowing the Disabled Access Individual to use any remaining tax credits. The Disabled Access Individual tax credit is being stopped per this proposal so **Oversight** will not show any impact from this provision.

ASSUMPTION (continued)

Section 135.550 Domestic Violence Shelter Tax Credit
Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

Section 135.352 Disabled Access Individual Tax Credit
Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

Section 135.600 Maternity Home Tax Credit
Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

Section 135.630 Pregnancy Resource Center Tax Credit
Officials at the **Budget and Planning** (**BAP**) assume this proposal extends the Pregnancy Resource Center credit from 8/28/12 until 8/28/15. $1.2 million in credits were redeemed in FY10. This will continue the current reduction in general and total state revenues by similar amounts in FY 13 and beyond.

Oversight assumes this tax credit was to sunset on August 28, 2012. This proposal extends the tax credit and therefore Oversight will show the loss to state revenue of the tax credits issued in FY 13. Oversight for the fiscal note is showing the amount of loss of revenue to the State as being equal to the average amount issued in the last four years.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

Section 135.647 Food Pantry Tax Credit
Officials at the **Budget and Planning** (**BAP**) assume this proposal extends the Food Pantry credit from 8/28/11 until 8/28/15. $0.8 million in credits were redeemed in FY10. This will

ASSUMPTION (continued)

continue the current reduction in general and total state revenues by similar amounts in FY 12 and beyond.

Oversight assumes this tax credit was to sunset on August 28, 2011. This proposal extends the tax credit and therefore **Oversight** will show the loss to state revenue of the tax credits issued in FY 12, FY 13 and FY 14. **Oversight** for the fiscal note is showing the amount of loss of revenue to the State as being equal to the average amount issued over the last three years.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

Section 135.679 Qualified Beef Tax Credit
Officials at the **Department of Agriculture** assume that there is no fiscal impact from this proposal.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2014. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2015.

Section 135.680 New Markets Tax Credit
Oversight assumes this proposal clarifies who can qualify for the tax credit and does not affect the cap on the credit. Therefore Oversight assumes no impact from this proposal.

Section 135.700 Wine and Grape Tax Credit
Oversight assumes this proposal places a $200,000 cap on the tax credit beginning January 1, 2012. The five year issuance average of the tax credit is $157,579; therefore, **Oversight** will not show this provision as having an impact.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2014. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2015.

ASSUMPTION (continued)

Section 135.815 Recapture of tax credits
Oversight assumes this proposal allows the state to recapture tax credits for applicants who fail to comply with the requirements of their tax credit program. It is unclear how many applicants will fail to comply with the requirements of a tax credit program. **Oversight** will show an Unknown savings to general revenue for this proposal.

Section 135.825 Review of all tax credits being sunset
Officials at the **Legislative Research** assume no additional cost.

Oversight assumes that the review of the tax credits would be handled as a part of the regular duties of the staff and can be handled with existing resources.

Section 135.1150 Residential Treatment Tax Credit
Officials at the **Budget and Planning** (**BAP**) assume this proposal extends the Residential Treatment Agency credit from 8/28/12 until 8/28/15. $.6 million in credits were redeemed in FY10. This will continue the current reduction in general and total state revenues by similar amounts in FY 13 and beyond. In addition, under this proposal credits are available for 100% rather than 40% of payments which will increase the reduction in general and total state revenues by an estimated $.9 million annually.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

Section 135.1180 Developmental Disability Care Provider Tax Credit
In response to similar legislation filed during regular session, SB 100, officials at the **Department of Social Services** (**DOS**) assume this bill will create another tax credit for DOS to administer. The administration should be able to be accomplished with existing staff.

In response to similar legislation filed during regular session, SB 100, officials at the **Department of Revenue** (**DOR)** assume this section creates the "Developmental Disability Care Provider Tax Credit Program." This tax credit is for all tax years beginning on or after January 1, 2011, taxpayers will be allowed a credit against the taxes due under Chapters 143, 147, or 148 excluding withholding tax in an amount equal to 50% of the amount of an eligible donation, subject to the restrictions in this section. The amount of the tax credit claimed shall not exceed the amount of the taxpayer's state income tax liability. The credit is not refundable and may be

ASSUMPTION (continued)

carried forward four years. Tax credits issued under this section may be assigned, transferred, sold, or otherwise conveyed, and the new owner of the tax credit shall have the same rights in the credit as the taxpayer.

A provider may submit to DOS an application for the tax credit on behalf of taxpayers. DOS may create rules to implement the provisions of this section. The provisions of this program will sunset four years after August 31, 2011 unless re-authorized by the General Assembly.

DOR assumes DOR and ITSD-DOR will need to make processing changes to multiple processing systems. The Department will need to make forms changes. In addition Personal Tax and Corporate tax will each need a Revenue Processing Technician (starting salary $25,380) to handle the tax credit redemptions.

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. **Oversight** assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

Oversight assumes that due to the limited number of individuals currently taking advantage of this program that DOR could absorb the duties of this bill with existing staff.

Oversight assumes that section 135.1180.4(3) requires payment from the provider equal to the amount of the value of the tax credit. **Oversight** assumes that receipt of payment and the application of the tax credits could affect various state funds, so for the purpose of this note **Oversight** is showing all the payments and costs to general revenue. However, the overall result of this proposal is no impact to total state revenue.

Sections 135.1500, 135.1509, 135.1511, 135.1519 & 135.1521 Aerotropolis Trade Incentive and Tax Credit Act

Officials from the **Department of Economic Development** (**DED**) assume this proposal would establish the Aerotropolis Trade Incentive and Tax Credit Act to encourage foreign trade and would require DED to administer the tax credit program. DED assumes a negative fiscal impact in excess of $100,000. DED would require two additional FTE's to administer the program due to the anticipated amount of administration involved. Both FTE's would be Economic Development Incentive Specialist III's and would be responsible for reviewing and approving the applications for the program to determine eligibility, establishing procedures, reviewing the tax credit applications to make sure they meet the criteria of the program, drafting and sending the tax credit awards, and ensuring compliance with the program.

ASSUMPTION (continued)

The proposal would authorize the City of St. Louis or any county to designate gateway zones. The air export tax credit would be a 30% credit with an aggregate cap of $60 million. Freight forwarders would be required to file an application with DED in order to receive the tax credits which would be based on the weight and type of freight. These credits could be carried forward. The proposal would require DED to establish procedures to allow freight forwarders to receive air export tax credits within five business days of the departure of the qualifying flight.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional position to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Oversight assumes the DED estimate of expense and equipment cost for the new FTE could be overstated. If DED is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2012 could be reduced by roughly $12,900.

Oversight has indicated a cost for the tax credits based on the authorized tax credit amounts in the proposal. Air export tax credits are limited to $3.6 million in FY 2012, $4.8 million in FY 2013, and $3.6 million in FY 2014. All costs are assumed to be paid from, or impact the General Revenue Fund.

Section 144.810 Sales and Use Tax Exemption for Server Farms and Data Storage Facilities
Officials from the **Department of Economic Development** (**DED**) assumed the proposal would create a state and local sales and use tax exemption for data storage centers. The data storage centers that seek a tax exemption would be required to submit a project plan to the DED, and DED would be responsible for certifying the projects in conjunction with the Department of Revenue (DOR). The proposed legislation would also require random audits to ensure compliance with the intent the data storage centers and server farm facilities indicated in their project plan.

DED is unable to determine the exact impact the proposed legislation will have on total state revenue and therefore would anticipate an unknown impact to total state revenues over $100,000.

DED is responsible for determining eligibility for the exemption and also for the compliance and auditing functions required by the proposed legislation and anticipates the need for one additional FTE. This FTE would be an Economic Development Incentive Specialist III and would be responsible for reviewing the project plan applications to make sure they meet the criteria of the

ASSUMPTION (continued)

program and conducting random audits to ensure compliance with the program.

DED submitted a cost estimate for the proposal including salaries, benefits, equipment, and expense totaling $60,576 for FY 2012, $65,674 for FY 2013, and $66,406 for FY 2014.

Oversight assumes there would be a limited number of entities eligible for this sales and use tax exemption and that DED could absorb the additional workload with existing resources. If this proposal created an unanticipated increase in the DED workload, or if multiple proposals were implemented which created a substantial increase in the DED workload, resources could be requested through the budget process.

In response to similar legislation filed during regular session, SB 217, the following responded to Oversight as follows:

Officials from the **Department of Revenue** (**DOR**) assumed the proposal would create a sales and use tax exemption for data center operations. The proposal would reduce state revenues.

Beginning upon passage of this legislation, the following would be exempt from sales and use tax:

* all electrical energy, gas, water and other utilities including telecommunication services used in a new data storage center
* All machinery, equipment and computers used in any new data storage center, and
* All sales at retail of tangible personal property and materials for constructing, repairing, or remodeling any new data storage center.

Entities would be required to submit a plan to the Department of Economic Development (DED) to determine eligibility. DED would certify the project to the DOR, and would issue an exemption certificate to the taxpayer. Beginning upon passage of this legislation an expanding data storage center could be exempt from sales and use tax with the same criteria as with a new data storage center.

DED would conduct random audits, and DED and DOR would create rules to carry out the provisions of this legislation. DOR and ITSD-DOR would make programming changes to the sales tax processing system (MITS).

DOR assumes that Collections & Tax Assistance (CATA) would have additional contacts due to this exemption, and would require one additional FTE Revenue Processing Technician I (Range 10, Step L) per 24,000 additional contacts annually to the registration section, with CARES equipment and agent license, and one additional FTE Revenue Processing Technician I (Range 10, Step L) per 4,800 additional contacts annually to the tax assistance offices, with CARES

ASSUMPTION (continued)

equipment and agent license.

DOR also assumes that Sales Tax would require one additional FTE Revenue Processing Technician I (Range 10, Step L) for completion of amended returns and processing refunds DOR officials submitted an estimate of the cost to implement this proposal including three additional FTE and the related fringe benefits, equipment, and expense totaling $122,529 for FY 2012, $121,284 for FY 2013, and $122,558 for FY 2014.

Oversight assumes there would be a limited number of entities eligible for this sales and use tax exemption and that DOR could absorb the additional workload with existing resources. 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.

The Department and ITSD-DOR would also make programming changes to the sales tax processing system (MITS). DOR did not provide an estimate of IT costs for the programming changes.

Oversight assumes ITSD-DOR is provided with core funding to handle a certain amount of normal activity each year. **Oversight** assumes ITSD-DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, ITSD-DOR could request funding through the appropriation process.

Officials at the **Budget and Planning (BAP)** assume this proposal would define the following data center projects;

* Expanding or replacement facility -- $5 million investment within 12 months and 5 new jobs.
* New facility - a new facility with investment of $37 million over 36 months nad 30 new jobs.

This proposal provides a sales tax exemption for inputs of production used by new data storage centers. Further, this proposal provides a sales tax exemption for certain inputs of production used by expanding data storage centers, to the extent the amount of new inputs exceed current input levels. Exemptions are limited to the projected fiscal impact of the project over 10 years. This proposal will not impact current general and total state revenues, but may result in future forgone revenue.

Oversight notes that this proposal would require a minimum $5 million investment in a new facility within thirty-six months, or a minimum $1 million investment in an expanding facility within twelve months. The proposed project would require approval by the Department of Economic Development (DED) which would conditionally certify the project to the Department

ASSUMPTION (continued)

of Revenue (DOR). Upon completion of the project, DED would certify the project eligibility to DOR, and DOR would refund the sales tax paid on the project.

If the proposal became effective October 1, 2011, construction could begin late in FY 2012 and would likely not be completed until late in FY 2013. Refunds would not likely be certified and paid to project owners until FY 2014.

Oversight is not aware of any existing or planned projects which could qualify for the program, but if one new facility project was completed in time for a refund to be paid in FY 2014, the sales tax amounts could be computed as follows. **Oversight** assumes the entire $5 million investment would qualify for the exemption.

Entity	Sales Tax Rate	Sales Tax
General Revenue Fund	3%	$150,000
Conservation Commission Fund	1/8%	$6,250
School District Trust Fund	1%	$50,000
Parks, and Soil and Water Funds	1/10%	$5,000
Local Governments	Average 2.5%	$125,000

For fiscal note purposes, **Oversight** will assume a significantly larger project would be completed in FY 2014 and will indicate an unknown revenue reduction in FY 2012 and FY 2013, and a revenue reduction in excess of $100,000 for FY 2014 for the General Revenue Fund, for local governments, and for other state funds which receive sales tax revenues.

Section 208.770 Family Development Account Tax Credit
Oversight assumes that for all taxable years beginning on or after January 1, 2012, this act decreases the Family Development Account Tax Credit from a fifty percent credit for the first $1,000 in contribution and a thirty-five percent credit for anything over $1,000. This tax credit has an annual cap of $300,000. In FY 2010, $25,000 in tax credits were issued and $3,000 were redeemed.

Oversight using the FY 10 amount of tax credits calculated the amount of potential savings that could have occurred if the new reduced 35% rate proposed in this legislation would have been in place in FY 10 for all contributions. At the new 35% rate only $17,500 tax credits would have

ASSUMPTION (continued)

been issued and therefore the potential savings would have been $7,500. There is no way for **Oversight** to know how many of the FY 10 contributions gave more than the $1,000.

Oversight can not predict how taxpayers may react to the change in the amount they can claim and therefore can not predict whether there will be a reduction in the amount of the tax credits applications. **Oversight** assumes the proposed changes could result in a reduced amount of tax credits being issued in future fiscal years. **Oversight** will show a projected increase in net revenues as being Unknown.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

Sections 253.550, 253.557 and 253.559 Historic Preservation Tax Credit
Officials at the **Budget and Planning** (**BAP**) assume other economic activity may be reduced as a result of this proposal. BAP cannot estimate the loss of any revenues associated with this reduction.

Oversight assumes this proposal reduces the cap from $140 million to $80 million. Therefore Oversight will show a projected increase in new revenue of $60 million annually.

Oversight assumes this proposal prohibits the stacking of historic preservation tax credits with low-income housing tax credits. Therefore, **Oversight** assumes the proposed changes could result in a reduced amount of tax credits being issued in future fiscal years. **Oversight** will show a projected increase in net revenues as being Unknown.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2018. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2019.

Section 348.430 Agricultural Product Utilization Contributor Tax Credit
Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2014. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2015.

ASSUMPTION (continued)

Section 348.432 and 348.434 New Generation Cooperative Incentive Tax Credit
Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2014. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2015.

Section 348.500 Family Farms Breeding Livestock Loan Program
Officials at the **Budget and Planning** (**BAP**) assume this program is modified to provide credits directly to a small farmer who purchases breeding livestock, as opposed to the lender who finances such purchase. The new program is capped at $300,000 annually. BAP notes that less than $105,000 was redeemed under this program in FY10, and similar amounts had been issued previously. This proposal will reduce general and total state revenues to the extent participation in the program increases. This proposal may encourage other economic activity. BAP cannot estimate the induced revenues.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2014. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2015.

Section 447.708 Brownfield Tax Credits
Officials at the **Budget and Planning** (**BAP**) assume this act prohibits authorizations of Brownfield credits exceeding $40 million per fiscal year. BAP notes redemptions for this program totaled $17.6 million in FY10, but exceeded $25 million in preceding years. This proposal also prevents the stacking of Brownfields and New or Expanded Business Facility credits.

Oversight assumes this proposal beginning July 1, 2011 to June 30, 2015 places a $40 million cap on the Brownfield tax credits. The cap is lowered after July 1, 2015. This lowered cap is outside the fiscal note period. Currently the program has no cap. The five year issuance average is $20,739,465 therefore **Oversight** will not show the new cap having an impact on the state in this fiscal note.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2018. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2019.

ASSUMPTION (continued)

Section 620.495 Small Business Incubators Act
Oversight assumes this proposal will allow the loan program to continue but only through the receipt of matching private funds. The tax credit has been stopped.

Oversight assumes this proposal stops the issuance of the tax credit upon passage of this proposal. This program has a $500,000 annual cap. In FY 2010, the tax credit issued $196,448 in credits and $219,014 were redeemed. **Oversight**, for the fiscal note, is showing the amount of increased revenue to the State as being equal to the average amount issued over the last five years.

Sections 620.800, 620.803; 620.806; 620.809 Compete MO Jobs Training Program
Officials at the **Budget and Planning** (**BAP**) assume this proposal combines and streamlines the existing Customized Training Program, the Community College New Jobs Training Program (NJTP), and the Community College Retained Jobs Training Program (RJTP).

While these provisions have no direct impact to general revenue or total state revenue, certain provisions in the proposal have budget implications. The proposal reduces the length of time (from two years to one year) that jobs must be maintained at the project facility for the calendar year preceding the year in which the application for either NJTP or RJTP is made. This change may have implications for the number of employers who are eligible for and take part in the Missouri Jobs Training Program.

The current authorization for the Community College New Jobs Training Program is $55 million. The current authorization for the Community College Jobs Retention Training Program is $45 million. If this proposal passes as is, the current caps would be re-authorized in statute. The proposal allows the Missouri Job Training Joint Legislative Oversight Committee to raise the current caps; the committee has the same power in current statute.

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

In response to similar legislation filed during regular session, SB 296, officials at the **Department of Revenue** (**DOR**) assume will need to make form changes and programming changes to various tax systems. The department's response to a proposal similar to or identical to this one in a previous session indicated the department planned to absorb the administrative costs to implement the proposal. Due to budget constraints, reduction of staff and the limitations within the department's tax systems, changes cannot be made without significant impact to the department's resources and budget. Therefore, the IT portion of the fiscal impact is estimated with a level of effort valued at $26,712, which is 1,008 FTE hours.

ASSUMPTION (continued)

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. **Oversight** assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

Oversight assumes this proposal creates a new jobs credit and a retained jobs credit that allow a credit from withholding taxes. This proposal creates the following funds:

Compete MO Jobs Development Fund which shall be funded through appropriation by the legislature so **Oversight** is showing the funding as coming from general revenue. Additional funding can be received from gifts, grants and other private sources. **Oversight** assumes that all money received by this fund will be distributed per this proposal.

Compete MO Jobs Community College New Jobs Training Fund which shall receive money from the new jobs credits, gifts, and other sources. **Oversight** assumes that all money received by this fund will be distributed to community colleges per this proposal.

Compete MO Jobs Community College Job Retention Training Fund which shall receive money from the retained jobs credits, gifts, and other sources. **Oversight** assumes that all money received by this fund will be distributed per this proposal

Oversight is not able to predict the extent to which these sales tax exemptions would be utilized and will indicate a reduction is sales tax revenues to the General Revenue Fund, other state funds which receive sales and use tax revenues, and local governments. The extent to which those revenue reductions would be replaced by sales taxes on additional economic activity induced as a result of the underlying program can not be predicted, but **Oversight** considers that to be prospective and will not reflect that potential revenue in this fiscal note.

Sections 620.2000, 620.2005, 620.2010, 620.2015, 620.2020 Compete Missouri
Officials at the **Department of Economic Development** assume section 620.2000 creates the Compete Missouri Program which combines six existing business incentive programs and will provide tax incentives for job creation, job retention, and capital investment. The proposal authorizes the award of discretionary tax credits to qualified companies that create jobs and investment that provide a net fiscal benefit to the state, similar to the existing BUILD and EEZ programs.

In creating the Compete Missouri Program, the proposal phases-out the six current business incentive tax credit programs, which include: Missouri Quality Jobs (620.1875), Enhanced Enterprise Zone (135.950), Business Use Incentives for Large-Scale Development or BUILD (100.700), Development Tax Credit (32.100), Rebuilding Communities Tax Credit (135.535),

ASSUMPTION (continued)

and Business Facilities Tax Credit (135.100). Projects previously offered benefits under these programs may continue to receive such benefits, but no new awards may be made under these programs. The proposal does not affect the designation of new enterprise zones and the accompanying local property tax abatement available under the Enhanced Enterprise Zone program.

The aggregate cap on tax credits for the programs being phased out under this proposal totals at least $144 million annually (not all of the programs being phased out are currently capped). The proposed program imposes a hard cap on tax credits that reaches $141 million when fully phased-in. However, recognizing the outstanding obligations under the current programs being phased out, the proposal reduces the annual statutory caps by the amount of the existing tax credit obligations under the current programs. DED assumes that this would result in an effective annual tax credit cap significantly lower than the annual statutory cap on tax credits until such time as the existing obligations under the current programs have been completed. DED assumes that the existing obligations that would reduce the annual statutory cap would include (1) tax credits that have been offered to companies under the current programs but not yet accepted; (2) tax credits that have been offered to companies under the current programs and accepted but not yet authorized; and (3) tax credits that have been authorized and/or issued under the current programs but not yet redeemed. DED assumes that obligations of tax credits in any of these three categories that are ultimately not utilized (e.g. the company does not accept the offer, the company accepts the offer but never creates the necessary jobs for the tax credits to be issued, etc.), could be utilized for proposals for benefits under this new program, although in no event could awards exceed the hard statutory cap. As under the existing Missouri Quality Jobs program, retained withholding benefits would not be subject to the annual tax credit cap under this proposal.

The chart below reflects the statutory maximum annual tax credit cap under the proposal, the amount obligated as of February 18, 2011 under the current programs being phased out under this proposal, and the effective annual amount of tax credits that may be authorized for the specific fiscal year under the proposed program.

Fiscal Year	Maximum Annual Tax Credit Cap	Obligated under Current Programs	Effective Annual Tax Credit Cap
FY12	$111,000,000	$76,600,251	$34,399,749
FY13	$126,000,000	$77,415,286	$48,584,714
FY14	$141,000,000	$66,560,634	$74,439,366

It is unknown how many qualified companies would seek and be eligible for benefits under this program. With respect to the performance-based retained withholding and tax credit benefits

ASSUMPTION (continued)

under this proposal, DED estimates an unknown positive fiscal impact of greater than $100,000 because, based on past performance under the existing Missouri Quality Jobs program, projects awarded such benefits are reasonably anticipated to provide an overall net fiscal benefit to the state, even if not every individual project would have a net fiscal benefit to the state. Similarly, DED estimates a positive fiscal impact of greater than $100,000 for any discretionary tax credits awarded under this proposal because the award of any such tax credits is restricted to projects having a net fiscal benefit to the state. Tax credits under the proposal may be transferred. The program has an automatic 6-year sunset, unless it is re-authorized by the General Assembly.

Oversight assumes it is unclear how many companies will qualify for the sales tax exemption or withholding tax so **Oversight** will show in the fiscal note the cost to the General Revenue Fund as $0 to Unknown. Since the tax credits are capped each fiscal year and the number of unobligated credits is known, **Oversight** will show the loss of the tax credit revenue to the General Revenue Fund as $0 to the unobligated amount.

This program establishes the Compete Missouri Job Creation Tax Credit Program Fund and the Compete Missouri Job Retention Tax Credit Program Fund for the funding sources of these tax credits. The legislature will appropriate money to be used for these tax credits yearly. If no money is appropriated then no tax credits can be issued. Once money is transferred to the funds then the Department of Economic Development can approve the distribution of the tax credits. Upon redemption of each tax credit an amount equal to the tax credit would be transferred from the funds to general revenue.

Oversight is assuming that the amount of money initially transferred to the Compete Missouri Job Creation Tax Credit Program Fund and the Compete Missouri Job Retention Tax Credit Program Fund is Zero no money transfer up to the yearly cap.

Oversight states that this proposal requires the Department of Revenue and the Office of the State Treasurer, as tax credits are redeemed, to transfer from the Compete Missouri Job Creation Tax Credit Program Fund and the Compete Missouri Job Retention Tax Credit Program Fund to general revenue an amount equal to the tax credit redeemed. **Oversight** for the purpose of the fiscal note, is showing that the amount redeemed could be zero to the amount of the yearly cap.

Oversight assumes that due to the timing of the appropriation for the streaming credit issuances that FY 2013 may see a significant increase in funding from General Revenue to the Compete Missouri Job Creation Tax Credit Program Fund and the Compete Missouri Job Retention Tax

ASSUMPTION (continued)

Credit Program Fund while future years may be decreased. **Oversight** has not shown that fluctuation in the fiscal note as it is unclear how is should be determined.

Officials at the **City of Raytown**, **Department of Higher Education**, **Department of Labor and Industrial Relations**, **Linn State Technical College**, **Missouri Department of Transportation**, **Missouri Senate**, **Office of the Governor**, **Office of the State Treasurer** and the **St. Louis Community College** assume that there is no fiscal impact from this proposal.

Section 660.055 Shared Care Tax Credit
Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

Revisions to Existing Caps
Officials at the **Department of Economic Development** stated:

Section 135.352 (Low Income Housing) - Subsection (8) prohibits projects receiving tax credits under the Low Income Housing program from also receiving tax credits under the Historic Preservation program.

Section 135.700 (Wine and Grape Growers) - Revises language to provide an annual cap of $200,000 for the tax year beginning January 1, 2012.

Section 135.815 (Tax Credit Accountability) - Allows the administering agent, by rule, to recapture tax credits for noncompliance with the program requirements. Also requires the Committee on Legislative Research to conduct a review of any tax credit program by September 1st of the calendar year prior to the year in which the program will sunset.

Section 196.1109 (Life Sciences Research Trust Fund) - Establishes the Missouri Technology Corporation as the administering agent for the Life Sciences Research Board. No fiscal impact to DED as a result.

Section 208.770 (Family Development Account) - Revises language for all taxable years beginning January 1, 2012 to allow a 50% tax credit for contributions which are equal to or less than $1,000. For contributions in excess of $1,000, in addition to the 50% tax credit, the contributor may receive a tax credit equal to 35% of the excess amount. Allows tax credits to be transferred.

Section 447.708 (Brownfield) - A cap is imposed of $40 million in each Fiscal Year FY2012 through FY2015. Beginning in FY2016, the cap is reduced to $35 million in any one FY. If a project also receives benefits under the Distressed Area Land Assemblage program then the cap is $10 million for FY2012 through FY2015 and $5 million starting in FY2016.

ASSUMPTION (continued)

The potential positive fiscal impact from the gradual sunset of tax credit programs in this proposal is shown below based on estimates of the range of potential positive fiscal impact, with the high end of the range represented by the applicable program cap and the low end represented by the average annual authorizations of tax credits under the applicable programs for fiscal years 2007 through 2009. This range reflects the fact although in any fiscal years there is the potential for tax credit authorizations under these programs up to the applicable cap, the actual authorizations are often less than the cap amount.

DED assumes that tax credits previously authorized or issued under any program with a carry forward provision would continue to be redeemed under these programs, notwithstanding the sunset on the agency's authority to authorize new tax credits.

Programs to Sunset Upon Effective Date of Act	**Authorization**	**Effective Date**	**Savings Based on Average Authorizations (FY07-FY09)**	**Maximum Savings Based on Current Statutory Cap**
Development Tax Credit	32.100	Effective Date of Act	$1,450,000	$6,000,000
Neighborhood Preservation	135.484	Effective Date of Act	$14,126,322	$16,000000
Brownfield Jobs and Investment Act	447.708	Effective Date of Act	$100,000	Unknown (program uncapped)
Small Business Incubator Tax Credit	620.495	Effective Date of Act	$405,858	$500,000
Rebuilding Communities	135.535	Effective Date of Act	$1,788,393	$8,000,000
Total Potential Savings			***$17,870,573***	***$30,500,000***
Programs to Sunset as of 8/28/2014	**Authorization**	**Effective Date**	**Savings Based on Average Authorizations (FY07-FY09)**	**Maximum Savings Based on Current Statutory Cap**
MDFB Bond Guarantee Tax Credit	100.297	8/28/2014	$0	$48,812,870 Remainder of Cumulative Cap

MDFB Infrastructure Development Contribution Tax Credit	100.286	8/28/2014	$23,742,700	$10,000,000 Statutory limit can be increased an additional $15 million.
Wine and Grape Growers	135.700	8/28/2014	$183,495	Program currently uncapped ($200,000 cap proposed)
Total Potential Savings			***$23,926,195***	***$58,812,870***
Programs to Sunset as of 8/28/2015	**Authorization**	**Effective Date**	**Savings Based on Average Authorizations (FY07-FY09)**	**Maximum Savings Based on Current Statutory Cap**
Neighborhood Assistance	32.100	8/28/2015	$15,652,748	$16,000,000
Youth Opportunities	135.460	8/28/2015	$5,641,665	$6,000,000
Family Development Account	208.770	8/28/2015	$99,995	$300,000
Total Potential Savings			***$21,394,408***	***$22,300,000***
Programs to Sunset as of 8/28/2017	**Authorization**	**Effective Date**	**Savings Based on Average Authorizations (FY07-FY09)**	**Maximum Savings Based on Current Statutory Cap**
Quality Jobs Act	620.1878	8/28/2017	$21,993,492	$80,000,000
Enhanced Enterprise Zone	135.950	8/28/2017	$7,023,970	$24,000,000
Business Facility Program	135.100	8/28/2017	$4,581,994	Unknown (program uncapped)
Business Use Incentives for Large-Scale Development (BUILD)	100.850	8/28/2017	$7,844,896	$15,000,000
Total Potential Savings			***$41,444,352***	***$119,000,000***
Programs to Sunset as of 8/28/2018	**Authorization**	**Effective Date**	**Savings Based on Average Authorizations (FY07-FY09)**	**Maximum Savings Based on Current Statutory Cap**

Historic Preservation	253.550	8/28/2018	$170,114,756	$140,000,000 (FY11) Cap reduced to $80M (proposed)
Brownfield Remediation Tax Credit	447.708	8/28/2018	$22,248,784	Unknown (program uncapped)
Total Potential Savings			***$192,363,540***	***Unknown to $80M***

REPEALED STATUTES

Section 135.313 Charcoal Tax Credit
Officials at the **Budget and Planning** assume this program expired at the end of 2005, and the carryforward period is nearly over. This proposal will have no impact on general and total state revenues.

Oversight assumes no impact from this proposal as no new tax credits have been issued since December 31, 2005.

Section 135.575 Missouri Healthcare Access Tax Credit
Oversight assumes no impact from this proposal as this tax credit has never been issued.

Section 143.119 Self Employed Health Insurance Tax Credit
Officials at the **Budget and Planning** assume the Self-Employed Health Insurance Credit. Based on prior redemption patterns, BAP estimates this proposal will increase general and total state revenues $1.5 million in FY12, $1.6 million in FY13, $1.7 million in FY14, and $1.8M annually thereafter.

Oversight assumes this proposal repeals the tax credit and stops the issuance of the tax credit upon passage of this proposal. This program does not have an annual cap. In FY 2010, the tax credits issued and redeemed were $1,517,004. **Oversight,** for the fiscal note, is showing the amount of increased revenue to the State as being equal to the average amount issued over the last three years.

Sections 178.760, 178.761, 178.762, 178.763, 178.764, 178.892, 178.894, 178.895, 178.896, 620.470, 620.472, 620.474, 620.475, 620.476, 620.478, 620.479, 620.480, 620.481 and 620.482 Retention Training Programs
Oversight assumes these provisions were repealed and replaced with the Compete MO Jobs Program stated above.

ASSUMPTION (continued)

Sections 348.253 and 348.505
Oversight assumes there is no impact from these provisions being repealed.

Bill as a Whole
Officials at the **Department of Agriculture, Office of the State Auditor, Office of the State Treasurer** and the **Department of Higher Education** assume that there is no fiscal impact from this proposal.

Officials at the **Budget and Planning** assume this proposal provides sunsets of 2014, 2015, or 2018 for various programs without such a sunset. To the extent these proposals are not extended, general and total state revenues will increase, but associated economic activity may be lost.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume the legislation contains various provisions related to tax credits, phasing some out and creating others such as the "Aerotropolis Trade Incentive and Tax Credit Act". The legislation also makes changes to retaliatory tax collection in Section 1. This proposal will have an unknown reduction initially (but greater than $100,000) in premium tax revenue and retaliatory tax collection due to the implementation of new credits and Section 1. As tax credit programs are phased out, an unknown increase of premium tax revenue will occur. Exact amounts are not known as the amount of premium tax credits taken each year is unknown. Premium tax revenue is split 50/50 between General Revenue and the County Foreign Insurance Fund except for 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 throughout the state. County Stock Funds are later distributed to the school district and county treasure 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.

Officials from the **Office of the Secretary of State (SOS)** state 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 $2,500. 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 the 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.

ASSUMPTION (continued)

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

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

FISCAL IMPACT - State Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE			
Revenue - stopping the tax credit or lowering its cap and collection of the taxes owed			
Neighborhood Assistance (32.115)	$12,277,756	$12,277,756	$12,277,756
MDFB Infrastructure (100.286)	$24,625,997	$24,625,997	$24,625,997
Special Needs/CIC- adoption limits (135.326)	$0	Unknown	Unknown
Low Income Housing lower cap	$0	$13,000,000	$26,000,000
Low Income Housing bond cap	$0	$5,000,000	$10,000,000
Recapture of tax credits (135.8115)	Unknown	Unknown	Unknown
Family Development Acc-35% rate (208.770)	$0	Unknown	Unknown
Historic Preservation - reduced cap	Up to $60,000,000	Up to $60,000,000	Up to $60,000,000
Historic Preservation-no stacking	Unknown	Unknown	Unknown
Small Business Incubator (620.495)	$288,584	$288,584	$288,584
Self Employed Health Insurance	$1,428,578	$1,428,578	$1,428,578
Total from Tax Stop or lower cap	Unknown greater than $98,620,915	Unknown greater than $116,620,915	Unknown greater than $134,620,915
Transfer In- redemption of the Neighborhood Preservation tax credits	$0	$0 or (Up to $16,000,000)	$0 or (Up to $16,000,000)
Transfer In- redemption of the Compete MO creation tax credits	$0 or Unknown	$0 or Unknown	$0 or Unknown
Transfer In- redemption of the Compete Mo retention tax credits	$0 or Up to $6,000,000	$0 or Up to $6,000,000	$0 or Up to $6,000,000
Total All Revenue	Unknown greater than $104,620,915	Unknown greater than $138,620,915	Unknown greater than $156,620,915

FISCAL IMPACT - State Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE (continued)			
Cost - the extension of existing sunsets			
Surviving Spouse -sunset (135.090)	$0	$0	($22,636)
Special Needs/CIC - sunset (135.327)	$0	($2,780,552)	($2,780,552)
Pregnancy Resource Center(135.630)	$0	($1,177,827)	($1,177,827)
Food Pantry - sunset(135.647)	($499,085)	($499,085)	($499,085)
Total Cost of extending sunsets	($499,085)	($4,457,464)	($4,480,100)
Cost - Dept Economic Development			
Personal Service (2 FTE)	($67,020)	($81,228)	($82,041)
Fringe Benefits	($35,078)	($42,515)	($42,940)
Equipment and Expense	($19,053)	($7,605)	($7,833)
Total Cost- DED (Section 135.1513)	($121,151)	($131,348)	($132,814)
Cost - Dept of Economic Development			
Personal Service (1 FTE)	($33,510)	($40,614)	($41,020)
Fringe Benefit	($17,539)	($21,257)	($21,470)
Equipment and Expenses	($9,515)	($3,789)	($3,901)
Total Cost - DED (67.3000)	($60,564)	($65,660)	($66,391)
Revenue Reduction - Tax credit for attracting sporting events to Missouri (67.3000)	$0 to ($3,000,000)	$0 to ($3,000,000)	$0 to ($3,000,000)
Revenue Reduction - air export tax credit (Section 135.1511)	(Up to $3,600,000)	(Up to $4,800,000)	(Up to $3,600,000)
Revenue Reduction - sales tax exemption for data storage facilities and server farms (Section 144.810)	(Unknown)	(Unknown)	(Unknown greater than $100,000)
Revenue Reduction - sales tax exemption (144.062-144.540)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)

FISCAL IMPACT - State Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE (continued)			
Revenue Reduction- withholding tax (620.2000)	$0 to ($34,399,749)	$0 to ($48,584,714)	$0 to ($74,439,366)
Total All Costs/Revenue Reductions	(Unknown exceeding $41,680,549)	(Unknown exceeding $61,039,186)	(Unknown exceeding $85,818,671)
Transfer Out- Neighborhood Preservation Tax Credit for Disaster Relief Fund	$0	$0 or (Up to $16,000,000)	$0 or (Up to $16,000,000)
Transfer Out - Compete MO Jobs Development Fund (620.806)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Transfer Out - to Compete MO Creation Jobs funds -Initial funding of the fund (620.2010)	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Transfer Out - to Compete MO Job Retention Tax credit fund - Initial funding of the fund (620.2015)	($0 or Up to $6,000,000)	($0 or Up to $6,000,000)	($0 or Up to $6,000,000)
Total All Transfer-Outs	(Could exceed $6,000,000)	(Could exceed $22,000,000)	(Could exceed $22,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**Unknown greater than $104,620,915 to (Unknown greater than $47,680,549)**	**Unknown greater than $138,620,915 to (Unknown greater than $83,039,186)**	**Unknown greater than $1156,620,915 to (Unknown greater than $106,818,671)**

FISCAL IMPACT - State Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
CONSERVATION COMMISSION FUND			
Revenue Reduction - sales tax exemption (144.062-144.540)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Revenue reduction - sales tax exemption for data storage facilities and server farms (Section 144.810)	(Unknown)	(Unknown)	(Unknown greater than $100,000)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**(Unknown)**	**(Unknown)**	**(Unknown greater than $100,000)**
PARKS, AND SOIL AND WATER FUND			
Revenue Reduction - sales tax exemption (144.062-144.540)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Revenue reduction - sales tax exemption for data storage facilities and server farms (Section 144.810)	(Unknown)	(Unknown)	(Unknown greater than $100,000)
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	**(Unknown)**	**(Unknown)**	**(Unknown greater than $100,000)**
SCHOOL DISTRICT TRUST FUND			
Revenue reduction - sales tax exemption for data storage facilities and server farms (Section 144.810)	(Unknown)	(Unknown)	(Unknown greater than $100,000)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**(Unknown)**	**(Unknown)**	**(Unknown greater than $100,000)**

FISCAL IMPACT - State Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
NEIGHBORHOOD PRESERVATION TAX CREDITS FOR DISASTER RELIEF FUND			
Transfer In - from general revenue (section 135.478)	$0	$0 or Up to $16,000,000	$0 or Up to $16,000,000
Transfer Out - transfer of the redemption of the neighborhood preservation tax credits to general revenue	$0	$0 or (Up to $16,000,000)	$0 or (Up to $16,000,000)
ESTIMATED NET EFFECT ON THE NEIGHBORHOOD PRESERVATION TAX CREDITS FOR DISASTER RELIEF FUND	**$0**	**$0**	**$0**
COMPETE MO JOBS DEVELOPMENT FUND			
Transfer In- from general revenue for providing financial assistance to companies that create new jobs (620.806)	$0 to Unknown	$0 to Unknown	$0 to Unknown
Revenue - gifts, contributions, grants or bequests received	$0 to Unknown	$0 to Unknown	$0 to Unknown
Transfer Out - to companies for the training programs set up to help create new jobs	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT ON COMPETE MO JOBS DEVELOPMENT FUND	**$0**	**$0**	**$0**

FISCAL IMPACT - State Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
COMPETE MO JOBS COMMUNITY COLLEGE NEW JOBS TRAINING FUND			
Revenue - new jobs credits (620.809)	$0 to Unknown	$0 to Unknown	$0 to Unknown
Revenue- gifts, contributions, grants or bequests received	$0 to Unknown	$0 to Unknown	$0 to Unknown
Transfer Out- to community colleges for training project costs	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT ON COMPETE MO JOBS COMMUNITY COLLEGE NEW JOBS TRAINING FUND	**$0**	**$0**	**$0**
COMPETE MO JOBS COMMUNITY COLLEGE JOB RETENTION TRAINING FUND			
Revenue - retained jobs credits (620.809)	$0 to Unknown	$0 to Unknown	$0 to Unknown
Revenue - gifts, contributions, grants or bequests received	$0 to Unknown	$0 to Unknown	$0 to Unknown
Transfer Out- to community colleges for training programs.	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT ON COMPETE MO JOBS COMMUNITY COLLEGE JOB RETENTION TRAINING FUND	**$0**	**$0**	**$0**

COMPETE MISSOURI JOB CREATION TAX CREDIT PROGRAM FUND			
Transfer In - from general revenue the initial funding of the creation jobs tax credit fund	$0 or Unknown	$0 or Unknown	$0 or Unknown
Transfer Out - to general revenue redemption of tax credits and payment of equal money to general revenue	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
ESTIMATED NET EFFECT ON COMPETE MISSOURI CREATION TAX CREDIT PROGRAM FUND	**$0**	**$0**	**$0**
COMPETE MISSOURI JOB RETENTION TAX CREDIT PROGRAM FUND			
Transfer In - from general revenue the initial funding of the compete mo job retention tax credit fund	$0 or Up to $6,000,000	$0 or Up to $6,000,000	$0 or Up to $6,000,000
Transfer Out - to general revenue redemption of tax credits and payment of equal money to general revenue	($0 or Up to $6,000,000)	($0 or Up to $6,000,000)	($0 or Up to $6,000,000)
ESTIMATED NET EFFECT ON COMPETE MISSOURI JOB RETENTION TAX CREDIT PROGRAM FUND	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
LOCAL GOVERNMENTS			
Revenue Reduction - sales tax exemption (144.062-144.540)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Revenue reduction - sales tax exemption for data storage facilities and server farms (Section 144.810)	(Unknown)	(Unknown)	(Unknown greater than $100,000)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	**(Unknown)**	**(Unknown)**	**(Unknown greater than $100,000)**

FISCAL IMPACT - Small Business

Small businesses could be impacted as a result of this proposal.

FISCAL DESCRIPTION

The proposed legislation will have an impact on state revenue.

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
City of Belton
Department of Agriculture
Department of Economic Development
    Missouri Development Finance Board
    Missouri Housing Development Commission
Department of Health and Senior Services
Department of Higher Education
Department of Insurance, Financial Institutions and Professional Registration
Department of Public Safety

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<u>SOURCES OF INFORMATION</u> (continued)

State Emergency Management Agency
Department of Revenue
Joint Committee on Public Employee Retirement
Joint Committee on Administrative Rules
Missouri Consolidated Health Care Plan
MoDOT and Highway Patrol Employees' Retirement System
Missouri Gaming Commission
Missouri Lottery
Office of the Secretary of State
Officials at the State Auditor
Office of the State Treasurer
Office of the Governor
Office of the Attorney General
Office of Administration
Administrative Hearing Commission
State Tax Commission
St. Louis County

Mickey Wilson, CPA
Director
September 13, 2011

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