

HCS SS SCS SB 1099 -- TAX CREDITS

SPONSOR: Gibbons (Dempsey)

COMMITTEE ACTION: Voted "do pass" by the Committee on Job Creation and Economic Development by a vote of 17 to 0 with 1 present.

Regarding the Tax Credit Accountability Act, this substitute:

(1) Classifies all tax credit programs by subject. These subjects are agricultural, business recruitment, community development, domestic and social, entrepreneurial, environmental, housing, redevelopment, and training and educational;

(2) Requires that specific additional information be included in all tax credit applications submitted after January 1, 2005. The substitute explains these requirements. If the tax credit is given to someone who makes a contribution to a group, the application requirements apply to the recipient of the contribution, not the contributor;

(3) Requires that specified follow-up information be reported for three years after tax credits have been issued. All of these reports are due on June 30. If the tax credit is given to someone who makes a contribution to a group, the reporting requirements apply to the recipient of the contribution, not the contributor;

(4) Assesses penalties for failure to report;

(5) Requires the departments of Revenue and Insurance to verify that tax credit applicants do not owe any delinquent taxes. If the applicant is delinquent, the amount of tax credits awarded will be reduced by the amount of taxes owed;

(6) Requires the administering agencies of all tax credit programs to implement a system that will track the amount of tax credits that are issued and redeemed except credits that are issued and redeemed simultaneously;

(7) Expands the duties of the Joint Committee on Tax Policy by requiring the committee to examine and assess the public benefit of any tax credit program that is subject to an audit by the State Auditor and to provide a report to the General Assembly and the Governor with their findings and recommendations within six months of receiving the audit report;

(8) Allows a variety of information to be disclosed in a civil investigation, action, or proceeding. Current law only allows

this information to be disclosed in criminal and quasi-criminal investigations, actions, or proceedings;

(9) States that records and documents related to tax credits that are submitted as part of the application will be considered closed records until a decision has been rendered regarding the application;

(10) Requires the Department of Economic Development to prepare an annual report regarding all economic incentives administered in the previous calendar year and specifies what must be included in the report;

(11) Requires the department to perform a cost-benefit analysis evaluating the effectiveness of all tax credit programs every four years;

(12) Requires the Interagency Development Task Force to annually submit a unified economic development report to the General Assembly by the third week of the regular legislative session. The substitute explains the requirements of this report as well as the members of the task force; and

(13) Prohibits tax credits for donations to the Missouri Higher Education Scholarship Fund and the Advantage Missouri Program from being approved, awarded, or issued after January 1, 2005.

FISCAL NOTE: Estimated Cost on General Revenue Fund of \$235,902 in FY 2005, \$102,098 in FY 2006, and \$104,694 in FY 2007. Estimated Cost on Other State Funds of Unknown in FY 2005, FY 2006, and FY 2007.

PROPOSERS: Supporters say that the bill is a tax credit accountability measure. It protects taxpayers and ensures that all public dollars spent result in the best public benefit. Most tax credit programs do not have reporting or follow-up requirements. The State Auditor does not have enough information to determine whether or not the programs are working as intended. The bill gives the responsibility for auditing all tax credit programs to the auditor, who will determine if a program should be continued, modified, or eliminated.

Testifying for the bill were Senator Gibbons; Department of Economic Development; Department of Revenue; Metropolitan Congregations United; Missouri Coalition for Preservation and Economic Development; and St. Louis Regional Commerce and Growth Association.

OPPOSERS: There was no opposition voiced to the committee.

Alice Hurley, Legislative Analyst