

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0437-01
Bill No.: HB 119
Subject: Economic Development; Property, Real and Personal; Credit and Bankruptcy
Type: Original
Date: March 9, 2009

Bill Summary: This proposal modifies the definition of ‘new job’ for the Missouri Business Use Incentives for Large-Scale Development Act.

FISCAL SUMMARY

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

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

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

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

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

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

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

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

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (BAP)** state this proposal allows jobs of recalled workers to be considered a "New Job" under the Business Use Incentives for Large Scale Development (BUILD) Program thus expanding eligibility for the program. The amount of tax credits available for this program is capped at \$15 million annually. This proposal could therefore lower general and total state revenues by that amount. This program may stimulate other economic activity, but BAP does not have data to estimate the induced revenues. The Department of Economic Development may have such an estimate.

Officials from the **Department of Economic Development** and the **Department of Revenue** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown to what extent the tax credits have exceeded statutory limits. 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 throughout 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.

By expanding the eligibility of the program with the new definition of "new job", Oversight assumes the proposal may increase the usage of the BUILD program. According to the Department of Economic Development's tax credit analysis for the program, for the past three years, the program has had the following activity;

	FY 206	FY 2007	FY 2008
Amount Authorized	\$5,895,285	\$7,744,103	\$4,648,500
Amount Issued	\$6,247,701	\$7,032,080	\$7,489,456
Amount Redeemed	\$5,402,416	\$6,859,745	\$4,975,510

Therefore, in FY 2008, the program had roughly \$7.5 million in tax credits that went unissued (\$15 million annual limit - \$7,489,456 in issuances). **Oversight** assumes the changes made to the program with this definition change will increase the utilization of the program. Therefore, for budgetary purpose, Oversight assumes this proposal could result in increased usage of the program and decreased total state revenues of up to \$7.5 million annually. However, for

ASSUMPTION (continued)

purposes of this fiscal note, Oversight has already reflected the potential loss of up to \$15 million annually from this program in previous fiscal notes. Therefore, Oversight will not reflect additional fiscal impact from this proposal.

Oversight assumes the changes made in this proposal could have a positive impact to the state; however, Oversight considers this to be an indirect effect and has not reflected it in the fiscal note.

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

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

FISCAL IMPACT - Small Business

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

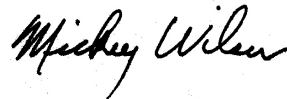
FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

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

SOURCES OF INFORMATION

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

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 9, 2009