HCS HB 575 -- BUSINESS INCENTIVES (Diehl)

COMMITTEE OF ORIGIN: Committee on Job Creation and Economic Development

This substitute changes the laws regarding several economic development programs.

BUSINESS USE INCENTIVES FOR LARGE-SCALE DEVELOPMENT

Currently, an eligible industry with an economic development project that is an office industry must create a minimum of 500 new jobs for the purposes of the Business Use Incentives for Large-Scale Development (BUILD) Program. The substitute reduces the minimum number of new jobs to 100.

Currently, in order to approve an application, the board must find that there is at least one other state that the applicant verifies is being considered for the BUILD project and there is a significant disparity in the project's costs based on the incentives offered by the competing state. The substitute removes these requirements.

QUALIFIED RESEARCH EXPENSES (RESEARCH AND DEVELOPMENT) TAX CREDIT

Currently, no tax credits for qualified research expenses can be approved, awarded, or issued. The substitute removes these restrictions and allows a tax credit equal to no more than 6.5% of a taxpayer's qualified research expenses. The annual aggregate cap on the amount of these tax credits that can be authorized by the department is $10 million.

Qualified research expenses will be limited to those incurred in the research and development of agricultural biotechnology, plant genomics products, diagnostic and therapeutic medical devices, prescription pharmaceuticals consumed by humans or animals, and electronic patient health record technology. Expenses incurred in the research, development, or manufacturing of power system technology for aerospace; space; defense; implantable or wearable medical devices; or gears, speed changers, and industrial high-speed drivers utilized in the wind turbine industry are also permitted.

The Director of the Department of Economic Development may allow a taxpayer to transfer up to 40% of the tax credits issued, but not yet claimed, between January 1, 2010, and December 31, 2016. The substitute requires the department director to act between August 1 and August 15 on tax credit applications filed between January 1 and July 1 for claims from the previous year.

The formula is specified by which tax credits will be issued if the eligible claims for the credits exceed the annual cap. No one taxpayer can be issued more than 30% of the total amount of tax credits authorized in any calendar year.

QUALITY JOBS ACT

A premium employment project is a new project type created within the Quality Jobs Act. "Premium employment project" is defined as a qualified company that, within two years of commencing operations, creates at least 100 new jobs and meets all of the following requirements:

(1) The company and project qualify for the act;

(2) The company offers all new employees health insurance and pays at least 80% of the premiums; and

(3) The wage for at least 100 of the new jobs is equal to or greater than 180% of the county average wage.

A qualified company with a premium employment project may retain 4% of withholding taxes for five years if the average wage of the new payroll equals or exceeds 180% of the county average wage. Five percent may be retained if local incentives equal between 10% and 24% of new direct local revenue; 6% may be retained if the local incentives are between 25% and 49% of new direct local revenue; 8% may be retained if local incentives equal 50% or more of new direct local revenue. If the withholding taxes are not sufficient to provide the entire benefit due to the company, the department will issue a refundable tax credit for the difference. Tax credits issued for premium employment projects will not be considered when issuing tax credits for technology business projects or high-impact projects, nor will they be counted toward the total amount of tax credits issued for the act as a whole.

If the qualified company does not pay at least 100 new employees wages equal to at least 180% of the county average wage, the qualified company will not receive tax credits for the balance of the benefit period but may continue to keep the withholding taxes if it otherwise meets the requirements of a quality jobs small and expanding business or a high-impact project.

The substitute:

(1) Revises the definition of "technology business project" to include certain clinical molecular diagnostic laboratories;

(2) Increases the annual cap on the amount of Quality Jobs Act tax credits that can be issued from $60 million to $100 million.

The cap will not include tax credits issued for premium employment projects;

(3) Revises the definition of "project facility" to include separate buildings located within 15 miles of each other. Currently, the buildings must be within one mile of each other;

(4) Specifies how the department must apply the definition of "project facility" when a business that has already received an approved notice of intent later files another notice of intent;

(5) Increases the cap on the New Markets Tax Credit Program from $15 million to $27.5 million per fiscal year and extends it through Fiscal Year 2012. Currently, no qualified equity investments can be made under the program beyond Fiscal Year 2010;

(6) Specifies that, under certain conditions, an out-of-state wholesale drug distributor that is a drug manufacturer which produces and distributes from a facility inspected and approved by the federal Food and Drug Administration will not be required to be licensed but must register its business name and address with the Board of Pharmacy within the Department of Insurance, Financial Institutions and Professional Registration and pay a $10 filing fee. This applies to wholesale drug distributors located in a foreign country, too, so long as they are authorized and in good standing to operate as drug manufacturers within that jurisdiction;

(7) Defines "other net new revenues" as it relates to the Downtown Revitalization Preservation Program, commonly referred to as MODESA-Lite, as the amount of state sales tax increment or state income tax increment, or the sum of both, as determined under Section 99.918, RSMo; and

(8) Defines "state income tax increment" as it relates to the Downtown Revitalization Preservation Program, commonly referred to as MODESA-Lite, as an estimate of the income tax due the state for salaries and wages paid to new employees in new jobs in the redevelopment area and created by the redevelopment project. The estimate will be a percentage of gross payroll based upon analysis done by the Department of Revenue and cannot exceed 2%.

The substitute contains an emergency clause.

FISCAL NOTE: Estimated Cost on General Revenue Fund of $186,254 to more than $50,186,254 in FY 2010, $208,683 to more than $50,208,683 in FY 2011, and $214,943 to more than $62,714,943 in FY 2012. No impact on Other State Funds in FY 2010, FY 2011, and FY 2012.