COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0053-13
Bill No.: SS for SCS for HCS for HB Nos. 116 and 316
Subject: Revenue Department; Taxation and Revenue, General
Type: Original
Date: May 2, 2011

Bill Summary: Would make changes to income tax and economic development programs

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue *	Unknown Greater than $100,000	Unknown Greater than $100,000	Unknown Greater than $100,000
Total Estimated Net Effect on General Revenue Fund *	**Unknown Greater than $100,000**	**Unknown Greater than $100,000**	**Unknown Greater than $100,000**

*** Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 48 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Conservation Commission	($149,485 to Unknown)	($179,382 to Unknown)	($179,382 to Unknown)
Parks, and Soil and Water	($119,588 to Unknown)	($143,506 to Unknown)	($143,506 to Unknown)
School District Trust	($943,647 to Unknown)	($1,132,160 to Unknown)	($1,132,160 to Unknown)
Road	($1,175,899)	($1,411,079)	($1,411,079)
Road Bond	($1,610,821)	($1,932,985)	($1,932,985)
Transportation	($32,216)	($38,660)	($38,660)
Compete Missouri Job Development *	$0	$0	$0
Compete Missouri Community College New Jobs Training *	$0	$0	$0
Compete Missouri Community College Job Retention Training *	$0	$0	$0
Total Estimated Net Effect on Other State Funds	**($4,031,656 to Unknown)**	**($4,837,772 to Unknown)**	**($4,837,772 to Unknown)**

* offsetting revenues and expenditures.

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	11	11	11
Total Estimated Net Effect on FTE	**11**	**11**	**11**

☒ 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	**(More than $502,705 to Unknown)**	**(More than $583,246 to Unknown)**	**(More than $583,246 to Unknown)**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would not result in additional costs or savings to their organization.

The proposal would create an amnesty from all accrued penalties and interest on unpaid taxes, if taxes are appropriately filed during a period from August 1, 2011, to October 30, 2011. This proposal appears to be similar to the amnesty program in FY 2003. BAP estimates that $75 million in revenues would be collected, including $50 million already identified from DOR investigations completed or in process. The $50 million is part of the revenue base when the consensus revenue estimates are determined for FY 2012 and future years. BAP estimates $25 million of these revenues were "new" revenues from previously unidentified sources. Of these figures, approximately 70% would pertain to General Revenue.

The proposal would increase General and Total State Revenue by improving tax collection procedures on delinquent taxes and/or debt owed to the state. It would allow the Department of Revenue to retain 1% of the amount of any local sales or use tax collected to cover their costs. This proposal would also give the Department of Revenue authority to collect debt on behalf of other state agencies, and would allow the Department of Revenue to send out certain mailings by first class mail instead of certified mail. The proposal would also allow the Department of Revenue and the Office of Administration to enter into a reciprocal collection and offset program with the federal government.

Budget and Planning defers to the Department of Revenue for estimates of the costs and increased revenue collections resulting from these operational efficiencies and programs.

The 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. The proposal could therefore lower general and total state revenues up to this amount annually. The proposal would also create a tax credit program, limited to $10 million annually, for eligible donations made to certified sponsors or local organizing committees. Those agencies would be required to submit payment to the state in amount equal to 50% of the donation, the equivalent amount of the tax credit. Therefore, this provision would not directly impact General and Total State Revenues.

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

ASSUMPTION (continued)

SA9 would prohibit the approval of new applications under the Missouri Downtown and Rural Stimulus Act (MODESA) after August 28, 2011. This proposal would have no direct impact to General Revenue or Total State Revenue, but would have a budgetary impact. Deposits into the State Supplemental Downtown Development Fund would cease when current projects are completed. Disbursements from the fund totaled $77,539 in FY 2009 and $831,825 in FY 2010. This program is currently aimed at encouraging economic activity. BAP does not have data to estimate the loss of induced revenues which may occur when the program ends.

The proposal would allow a credit for 100% of Land Assemblage Program interest costs, removing the limitation of 5 years of interest. The proposal would cap these tax credits for 2012 and beyond at $15 million annually; the $95 million program limit would remain in place. Through FY 2010, $20 million of the available $95 million had been issued, while $6.7 million had been redeemed.

The definition of "special needs child" would be modified to exclude international adoptions for Special Needs Adoption Tax Credits. The proposal also provides a sunset of 8/28/15 for the program.

This proposal would remove provisions making renters eligible for the Senior Property Tax Credit. Based on data reported to BAP by the Department of Revenue in the autumn of 2010, renters redeemed $59.2 million in tax credits in 2008, and $56.6 million in tax credits in 2009.

This proposal would limit new authorizations for the Low Income Housing Tax Credit (LIHTC) program to $16 million annually over a five-year period. BAP notes this amount is roughly consistent with authorizations the last several years, but the Missouri Housing Development Commission (MHDC) projected new authorizations of $19.2 million annually for FY 2011 and FY 2012, and this amount may grow higher as the overall economy recovers or the need for housing grows. SA 16 would increase this cap to $100 million, and would leave the 10-year stream in place.

This proposal would prohibit the issuance of credits for projects financed with tax-exempt bonds after 6/30/11. BAP defers to the Missouri Housing Development Commission for a discussion of any related impacts.

ASSUMPTION (continued)

This proposal would prohibit the concurrent use of Historic Credits with LIHTCs. BAP cannot estimate any potential savings from this provision. The proposal would also provide a sunset on the LIHTC program of 8/28/15.

Other economic activity may be reduced as a result of these provisions; however, BAP cannot estimate the loss of any revenues associated with these changes.

This proposal would reduce the Neighborhood Preservation program cap from $16 million to $10 million annually. BAP notes redemptions typically do not exceed this level, so it is unclear if this would result in savings or impact other economic activities. The proposal would also make other administrative changes which may result in savings. Finally, the proposal would provide a sunset on the program of 8/28/2014.

SA16 would delete the proposed changes to this program, and would sunset the program 7/1/11. BAP notes that redemptions under this program totaled $5.2 million in FY 2009 and $6.7 million in FY 2010. This provision would increase General and Total State Revenues by similar amounts, but other economic activity may be reduced.

The proposal would create a tax credit for donations to regional food banks. This provision is capped at $1 million in allocated credits annually. Therefore, General and Total State Revenues may be reduced by this amount.

Oversight notes that the cap for this program would be allocated from another program which would have its cap reduced by $1 million. Accordingly, Oversight will indicate no fiscal impact for this provision.

This proposal would create a tax credit program for contributions made to Developmental Disability Care Providers. These agencies would be 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 would not impact General and Total State Revenues.

The Aerotropolis provisions includes tax credits and tax exemptions that would have an impact up to an aggregate reduction of $360 million from 2012-2026.

ASSUMPTION (continued)

This proposal would cap the Wine & Grape Production Tax Credit program at $0.2 million annually and would sunset the program 8/28/14. Based on prior redemption patterns, BAP estimates this would have no impact on General and Total State Revenues.

The Compete MO Training Program would combine and streamline the existing Customized Training Program, the Community College New Jobs Training Program (NJTP), and the Community College Retained Jobs Training Program (RJTP).

Officials from the **Department of Revenue** (DOR) assume this proposal would reduce or terminate several tax credit programs and make changes to their tax collection processes, resulting in additional revenue.

DOR Collection Programs

DOR officials provided this estimate of additional collections; amounts are in millions of dollars.

Statute Sections	Subject	FY 2012 Net General Revenue	FY 2012 Net Total	FY 2013 Net General Revenue	FY 2013 Net Total	FY 2014 Net General Revenue	FY 2014 Net Total
32.028, 32.400, 32.410, 32.420, 32.430, 32.440, 32.450, 32.460	Centralized State Debt Collection	$0.8	$1.0	$4.0	$6.0	$5.0	$7.5
32.087	1% Collection Fee	$0.4	$0.4	$0.4	$0.4	$0.4	$0.4
32.383	Tax Amnesty	$20.0	$24.0	$0.0	$0.0	$0.0	$0.0
105.716, 144.083, 140.910	Administrative Garnishment	$1.5	$1.5	$3.0	$3.0	$32.0	$3.0

ASSUMPTION (continued)

Tax Amnesty Program Revenue

DOR officials assume the proposed tax amnesty could have a positive impact on Total State Revenue in fiscal year 2012 of up to $74 million; however, DOR officials estimated that up to $50 million of the $74 million which could be received through the amnesty program would be identified as outstanding liabilities by the department. DOR officials assume that an overwhelming majority of the $50 million, plus interest and penalties, could be collected without amnesty. Therefore, DOR has indicated a net new state revenue amount of $24 million.

Oversight assumes that DOR has or could identify the approximately $50 million in outstanding balances from existing filers without the amnesty program; however, those taxes would be collected over a period of several years while the amnesty program would most likely achieve collection of the taxes due in FY 2012. Interest and penalties due on those delinquent taxes would not be collected. For fiscal note purposes, Oversight will indicate additional revenues greater than $100,000 for FY 2012.

Oversight notes that this proposal would require DOR to deposit all collections from the amnesty program, except for those which are earmarked by the Missouri Constitution, into the state General Revenue Fund. Accordingly, Oversight will indicate an unknown positive fiscal impact from this proposal in FY 2012 for the Conservation Commission Fund and the Parks and Soils Sales Tax Funds. Other state funds and local governments which would receive additional tax collections under existing provisions would not have a fiscal impact from the amnesty program.

Oversight also notes that this proposal would authorize DOR to waive penalties, interest, and additions to tax which would be applied and collected under existing provisions regarding delinquent tax administration. Oversight assumes the additional taxes collected would exceed the penalties, interest and additional taxes which would have been collected, and for fiscal note purposes only will indicate an unknown revenue reduction in the General Revenue Fund.

Other DOR Program Changes

DOR officials assume the provision allowing taxpayer notices to be sent regular mail rather than certified would result in savings of approximately $1 million per year, and the debt offset program with the federal government would result in additional collections of $5.8 million to the General Revenue Fund in FY 2012 and $4.2 million in FY 2013.

ASSUMPTION (continued)

Tax Amnesty Program Cost

DOR officials assume, based on 2011 estimates, that there are approximately 490,000 known taxpayers eligible for amnesty. DOR officials estimated the cost of the amnesty program as follows.

* Postage, envelopes and printing; 4900,000 x $.505 = $247,450
* Overtime to review correspondence-$100,000
* Overtime to review errors on returns-$73,000
* Existing staff and temporary employees to key returns and process payments-$145,000
* Customer contacts-$30,000

The department also recommends an advertising budget of at least $400,000. Advertising the amnesty could enhance overall participation in the program. Advertising could also help ensure that individuals and businesses not already in contact with the department about their tax liabilities participate in the program.

In the alternative, the state could contract with a private vendor to administer the amnesty, like several other states, that have achieved very good results. Contracting with a vendor avoids the direct costs to the department, noted above. Vendor payment could be based on the percentage of the debts collected. A number of states and other political subdivisions have contracted with private vendors to run their amnesty programs and have seen very good results. The state would not perform many of the requirements noted above and would reduce the overall out-of-pocket cost to implement the program.

Oversight assumes that the cost to operate the program with DOR staff would be significantly lower than the cost to contract with a vendor since collection programs normally operate on a percentage-of-collections basis, and DOR staff would still be required to process returns and correspondence and to correct errors on returns. Oversight will indicate a cost in excess of $100,000 in FY 2012 for the amnesty program.

ASSUMPTION (continued)

Property Tax Credit Reductions

DOR officials noted that this proposal would eliminate the Senior Citizens Property Tax credit for renters and the Self-employed Health Insurance Credit. DOR officials stated that in 2010 there were approximately 106,000 renters that received $57,000,000 in property tax credits. In 2010 DOR issued self-employed health insurance tax credits totaling $1,517,004. Both of these credits are eliminated by this legislation.

Oversight will indicate additional revenue in the amounts of closed tax credit programs for fiscal note purposes.

Tax Credits for International Adoptions

DOR officials note that the proposal would prohibit international adoptions from receiving state tax credits for special needs adoptions. In addition, DOR officials noted that approximately 95% of nonresident adoption tax credit claims were for international adoptions, and assumed an approximate $1.4 million reduction in adoption tax credits paid.

Oversight will indicate additional revenue in the amounts of closed tax credit programs for fiscal note purposes.

Administrative Impact

DOR officials provided an estimate of the administrative cost to implement these provisions including eight additional employees with the related employee benefits, equipment, and expense, the direct amnesty program costs, professional services and fees of $654,500, and an estimated $1.5 million in FY 2012 for systems upgrades. The estimated total was $3,779,266 for FY 2012, $322,733 for FY 2013, and $326,115 for FY 2014.

ASSUMPTION (continued)

Oversight has, for fiscal note purposes only, changed the starting salary for the additional employees 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 has adjusted the DOR estimate of equipment and expense in accordance with OA budget guidelines, and finally, Oversight assumes that a limited number of additional employees could be accommodated in existing office space.

Oversight also assumes the DOR estimate of expense and equipment cost for additional FTE could be overstated. If DOR is able to use existing equipment such as desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2012 could be reduced by roughly $5,000 per employee.

Oversight has analyzed the DOR estimates of additional tax collections, but we are not able to determine the reasonableness of those estimates since we do not have access to comparable information for similar programs, nor are we able to review any of the supporting documentation for those estimates since the information is confidential. Accordingly, Oversight will indicate unknown additional revenues for the state General Revenue Fund in excess of $100,000, in addition to the recovery of program costs, for FY 2012, FY 2013, and FY 2014.

Oversight notes that this proposal would require DOR to deposit all collections from the amnesty program, except for those which are earmarked by the Missouri Constitution, into the state General Revenue Fund. Accordingly, Oversight will indicate an unknown positive fiscal impact from this proposal in FY 2012 for the Conservation Commission Fund and the Parks and Soils Sales Tax Funds. Other state funds and local governments which would receive additional tax collections under existing provisions would not have a fiscal impact from the amnesty program.

Oversight will indicate unknown costs in excess of $100,000 in FY 2012 for the Department of Revenue to administer the amnesty program and for the consulting, system upgrade, and additional postage.

ASSUMPTION (continued)

Oversight also notes that this proposal would authorize DOR to waive penalties, interest, and additions to tax which would be applied and collected under existing provisions regarding delinquent tax administration. Oversight assumes the additional taxes collected would exceed the penalties, interest and additional taxes which would have been collected, and for fiscal note purposes only will indicate an unknown revenue reduction in the General Revenue Fund.

IT Impact

DOR officials assume the IT impact to implement this proposal would be $373,438 based on 14,092 hours of programming to make changes to DOR systems.

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

Officials from the **Department of Health and Senior Services** (DOHSS) assume this proposal would sunset the Shared Care Tax Credit Program effective August 28, 2015. DOHSS officials stated that In FY 2010, there were 246 claimants who redeemed $106,068 from this tax credit. If the tax credit is not reauthorized, it is possible that an increased number of individuals would utilize Medicaid-funded long-term care services. DOHSS officials assume this proposal would have no fiscal impact for their organization in FY 2012, FY 2013, and FY 2014.

Oversight notes that the Shared Care Tax Credit does not have an annual cap or a program cap. In FY 2010, this program issued tax credits totaling $168,500 and $106,086 of those credits were redeemed. This proposal would prohibit the issuance of any further tax credits under this program after August 28, 2015. Oversight also notes that any additional revenue to the state from cancellation of the tax credit program is outside the fiscal note period.

Officials from the **Department of Social Services** (DOSS) assume this proposal would have no fiscal impact to their organization.

ASSUMPTION (continued)

DOSS officials note that the proposal would allow unpaid debts to their organization to be referred to the Department of Revenue for collection rather than to the Office of the Attorney General as is now the case. DOSS officials assume this change would result in additional collections, and that DOSS would benefit from this program through increased collection of Food Stamp and Medicaid overpayments. They note, however, that amounts collected would likely be returned to the General Revenue Fund or to the federal government.

Tax Credits for Sporting Events

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.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** (DIFP) stated in response to a similar proposal (SB 203 LR 0043-02) that it is unknown how many insurance companies would 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 would 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.

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 prepurchase form of tax credits.

ASSUMPTION (continued)

Aerotropolis Program

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.

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 fiscal year 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.

Another set of provisions would give incentives for owners and tenants of qualifying facilities located in a gateway zone in the form of tax credits, retained withholdings taxes and/or tax exemptions. The aggregate calendar year cap would be $300 million, based on the eligible costs of the qualifying facility. Owners of eligible facilities would also be entitled to receive tax credits over a three year period equal to 75% of a loan, provided the loan has a rate equal to or less than 7% per year. The proposal includes an aggregate calendar year cap of $120 million, based on the interest rate for the loan. The tax credits may be carried forward for six years and are transferable.

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.

ASSUMPTION (continued)

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.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** stated in response to a similar proposal (SB 390 LR 1807-01) that it is unknown how many insurance companies would 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 would 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.

Compete Missouri Program

Officials from the **Department of Economic Development, Division of Business and Community Services** (BCS) assume that Section 620.2000 of this proposal would establish the Compete Missouri Business Incentive program which would operate in a similar fashion to the current Missouri Quality Jobs program by providing performance-based benefits in the form of retained withholding taxes and tax credits to qualified companies that create new jobs or retain existing jobs.

ASSUMPTION (continued)

The proposal would also authorize the award of additional discretionary tax credits to qualified companies that create jobs, retain existing jobs and/or make a new investment that provides a net fiscal benefit to the state, similar to the existing BUILD and EEZ programs. The proposal also allows for the option of up-front financing through the award of a reduced amount of refundable tax credits for projects that create a net fiscal benefit to the state.

Eligibility requirements and available benefits under the proposal are summarized below:

Qualified Companies	Minimum Eligibility	Performance Basis	Max. Additional Discretionary	Maximum Possible
Enhanced Enterprise Zones	2 new jobs 80% county average wage	Retention of withholding taxes of new employees	-	-
Targeted Industry	10 new jobs 90% county average wage	Retention of withholding taxes of new employees 3% Tax Credit	Up to 6% Tax Credit	Up to 12%.
Non-Targeted Industry	20 new jobs 90% county average wage	Retention of withholding taxes of new employees 2% Tax Credit	Up to 4% Tax Credit	Up to 9%.

In addition to retained withholding tax and tax credits, the proposal would authorize an exemption of up to 100% of state and/or local sales and use taxes on tangible personal property for a qualified company that creates at least twenty new jobs with new payroll of at least 90% of county average wage or if the qualified company retains at least 150 existing jobs and invests at least $15 million if the project facility base payroll equals or exceeds 90% of county average wage. The proposal would also authorize, for a period of five years, an exemption of up to 100% of state and/or local sales and use taxes for the incremental increase in utilities used by an information technology company that creates at least twenty new jobs with new payroll of at least 90% county average wage. The amount of any sales tax exemption is limited to the net fiscal benefit to the state.

ASSUMPTION (continued)

The proposal would phase out 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), 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, the proposal reduces the annual statutory caps by the amount of the existing tax credit obligations under 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.

Retained withholding benefits would not be subject to the annual tax credit cap under this proposal.

The chart below reflects the statutory maximum annual statutory 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.

ASSUMPTION (continued)

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 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.

The maximum amount of refundable tax credits that may be awarded as up-front financing each fiscal year are as follows: FY 2012 - $15 million, FY 2013 - $30 million, FY 2014 - $45 million, FY 2015 - $60 million. As with the other discretionary tax credits available under this program, DED may only award refundable tax credits in advance of the requisite job creation when the projectwouldhave a net fiscal benefit to the state. Therefore, DED assumes that while there could be a short term negative fiscal impact from the transition to limited up-front financing, therewouldbe an unknown positive fiscal impact in excess of $100,000 upon creation of the requisite jobs and capital investment.

Oversight assumes the creation of this program could 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.

The amount of any sales tax exemption is limited to the net fiscal benefit to the state, which means that any project authorized for an exemption would have to generate a net positive fiscal impact to the state. However, it is unknown how many projects would be eligible for the exemption. Therefore, DED estimates an unknown positive fiscal impact of greater than $100,000 as a result of the sales and use tax exemptions provided under this proposal.

ASSUMPTION (continued)

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.

Developmental Disability Care Provider Tax credit Program

This proposal would create a tax credit for contributions to developmental disability care providers.

In response to similar provisions in SCS for SB 100 LR 0725-02 officials from the **Office of Administration, Division of Budget and Panning** assumed the proposal would create a tax credit program for contributions made to Developmental Disability Care Providers. These agencies would be required to submit payment to the state in amount equal to 50% of the donation, the equivalent amount of the tax credit. Therefore, the proposal would not impact General and Total State Revenues

Officials from the **Department of Social Services** (**DOS**) assumed that similar provisions in SCS for SB 100 LR 0725-02 would create another tax credit for DOS to administer; however DOS officials assumed the administration could be accomplished with existing staff.

Officials from the **Department of Mental Health** assume that there would no fiscal impact to their organization from similar provisions in SCS for SB 100 LR 0725-02 .

ASSUMPTION (continued)

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** (DIFP) stated in response to similar provisions in SCS for SB 100 LR 0725-02 that it is unknown how many insurance companies would 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 the General Revenue Fund and the 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 would 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 assumes these provisions would require 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 the General Revenue Fund. However, these provisions would have no overall impact to Total State Revenue.

Missouri Science and Innovation Reinvestment Act

Officials from the **Department of Economic Development** (DED) DED assumed a similar proposal (HCS for HB 468 LR 1352-04) would capture a small percentage of the new growth in gross wages generated by employees working in Missouri within designated science and innovation fields and reinvest it in science and innovation projects which demonstrate future job growth and increased economic activity.

ASSUMPTION (continued)

DED officials calculated an estimate of the state impact of these provisions. DED officials used the most immediate preceding 3 years of average annual increase in gross wages for the MOSIRA industry codes (NAICS) outlined in proposal, assumed that the average annual growth of gross wages for the past 3 years is a reasonable proxy of growth for the next 3 years, applied the MOSIRA specified 6% "applicable percentage" for each year of growth. Note that because the base year does not change each year the "applicable percentage" is applied to the total growth off the base year in each successive year, hence the larger number each year. The DED estimate was $4,458,161 for FY 2013, $8,916,322 for FY 2014, and $13,374,483 for FY 2015.

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assumed that similar proposed legislation (HCS for HB 468 LR 1352-04) would not result in additional costs or savings to their organization. BAP officials identified the following sections which could have budget or revenue implications:

Corporation employees would be eligible to participate in the Missouri State Employees Retirement System (MOSERS) and the Missouri Consolidated Health Care Plan (MCHCP), but would not be considered state employees. BAP assumes those costs would would not be borne by the General Revenue Fund.

Based on data through 2009 supplied to BAP by the Department of Economic Development, BAP estimates that wage growth in these industries averages $200 million per year, but could vary substantially. BAP notes the base year is not adjusted for inflation in this proposal. Because there is no inflationary adjustment, this could result in the redirection of normal increases in income tax growth from the General Revenue Fund to the new fund.

Officials from the **Missouri Consolidated Health Care Plan** (MCHCP) assume the fiscal impact on MCHCP of a similar proposal (HCS for HB 468 LR 1352-04) is the product of the predicted membership magnitude of Missouri Technology Corporation (MTC) and the estimated net payment per active employee per year. MCHCP assumes the health status of MTC subscribers and their number of dependents per subscriber would be similar to MCHCP's existing active employee population. Net payments for active employee subscribers are approximately $9,727 per subscriber per year based on 2011 estimates. Eventually, MTC would have retirees covered under their medical plan. Again, assuming the health status of MTC retirees and their number of dependents per subscriber is similar to MCHCP's existing retiree population; net payments for retiree subscribers are approximately $7,776 per subscriber per year based on 2011 estimates.

ASSUMPTION (continued)

Officials from the **Missouri State Employees Retirement System** (MOSERS) stated in response to a similar proposal (HCS for HB 468 LR 1352-04) that in order to participate in MOSERS, compensation must be paid by a "department" as defined in section 104.1003, RSMo (which includes an agency of the executive, legislative, or judicial branch and a body corporate or politic whose employees are eligible for MOSERS' coverage by law). Language has been included in this proposal that would allow compensation paid by the corporation to constitute pay from a department for purposes of accruing benefits under MOSERS. In the event this legislation was enacted, the contribution rate applicable to MTC employees accruing service under MOSERS during the first year would be 13.97% of pay.

Oversight assumes that if the employee of the authority are allowed to join MOSERS, the contribution costs would be borne by the authority and not the state.

Officials from the **Joint Committee on Public Employee Retirement** reviewed similar provisions in HCS for HB 468 LR 1352-04 and determined an actuarial study was not needed under the provisions of section 105.660, subdivision (10).

Officials from the **University of Missouri** assumed a similar proposal (HCS for HB 468 LR 1352-04) would have a positive fiscal impact on the University, particularly in the areas of technology transfer and research and economic development, however, the amount of the impact is unknown.

Officials from the **Department of Labor and Industrial Relations** and the **Office of the State Auditor** assume that there is no fiscal impact from a similar proposal (HCS for HB 468 LR 1352-04).

Oversight assumes these provisions could have positive fiscal benefits for the state; however, Oversight considers these benefits to be indirect and have not reflected them on the fiscal note.

ASSUMPTION (continued)

Department of Revenue Fee Office Retention from Motor Vehicle Sales Taxes

If the proposal is implemented, fee offices would be allowed to retain two percent of sales taxes collected on motor vehicles.

Officials from the **Department of Transportation** (MODOT) assume this proposal, as amended, would specify that any person who is selected or appointed by the Director of Revenue to act as an agent of the Department of Revenue (DOR) would be entitled to deduct and retain an amount equal to 2% of all sales taxes collected. This change means that fee office agents would be able to retain 2% of motor vehicle sales and use taxes collected at fee offices. This change would have a negative fiscal impact on MODOT because it would reduce the motor vehicle sales tax proceeds that would then be distributed to MODOT and cities and counties pursuant to the Missouri Constitution.

MODOT officials assume that this 2% retainage would not be included when calculating DOR's 3% cost of collection cap, which would have a negative fiscal impact to their organization. MODOT officials provided an estimate of $4.9 million annual revenue reduction to their funds, $400,000 annual reduction to cities, and $300,000 to counties.

Oversight has calculated an estimate of the fiscal impact of this provision using the Department of Revenue reported sales tax collections for FY 2010.

Fund	Reported Collections	2012 (Reduction)	Full Year (Reduction)
Conservation Commission	$8,969,080	($149,485)	($179,382)
School District Trust	$56,608,001	($943,467)	($1,132,160)
Parks, and Soil and Water	$7,175,276	($119,588)	($143,506)
Road Bond	$96,649,253	($1,610,821)	($1,932,985)
State Road	$70,553,954	($1,175,899)	($1,411,079)
State Transportation	$1,932,985	($32,216)	($38,660)
Local Governments	$24,162,313	($402,705)	($483,246)

ASSUMPTION (continued)

Sales Tax Exemption for Nonprescription Drugs and Medical Equipment, Supplies, and Accessories

The act would change current sales tax exemption provisions for over-the-counter and nonprescription drugs to individuals with disabilities by removing the reference to individuals with disabilities, but would limit the exemption to items dispensed pursuant to a lawful prescription.

The exemption would also be expanded to include medical equipment, supplies, or devices that are provided to a person on or by the order of a physician, or that are otherwise paid for by a third-party health insurer, Medicare, or Medicaid, diabetic accessories and supplies including, but not limited to, blood sugar testing monitors and test strips, lancet devices, lancets, and blood sugar control solutions, and the rental of certain medical equipment including scooters and wheelchairs.

Oversight does not have any information as to the amounts of OTC drugs which are purchased by disabled persons nor the cost of those drugs. Oversight assumes that most disabled purchasers of OTC drugs, who would be eligible for the current exemption, would be able to obtain a prescription for those drugs and qualify for the exemption created by this proposal, and that only a minimal number of disabled persons would not be able to obtain a prescription for those drugs.

Oversight also does not have any information as to the sales of items which would be exempted from sales tax as a result of the additional categories of medical expenditures included in these provisions. Accordingly, Oversight will indicate a reduction in sales tax revenue greater than $100,000 per year for the General Revenue Fund and for local governments, and an unknown reduction in revenue for other state funds which receive sales taxes.

Railroad Rolling Stock Tax Credit Program

Amendment 17 would continue the Railroad Rolling stock Tax credit Program,

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assumed that similar provisions in SB 377 LR 1788-01 would extend the sunset on the rolling stock tax credit to 8/28/2020. BAP officials noted that the program is subject to appropriation, therefore, an extension would have no direct impact on General and Total State Revenues, but could increase expenditures from the General Revenue Fund.

ASSUMPTION (continued)

Oversight notes that assumes this tax credit was to sunset six years after August 28, 2008, which is August 28, 2014. These provisions would eliminate the sunset date for the program. Although no tax credits have been issued or redeemed under this program, the extension of the program could have an unknown cost to the General Revenue Fund in lost revenue to the state.

Housing Tax Credit Provisions

Officials from the **Department of Economic Development, Missouri Housing Development Commission** (MHDC) provided the following response.

Affordable Housing Assistance Program Tax Credit

This proposal would broaden the eligible users of Affordable Housing Assistance Program (AHAP) credits to include individuals instead of just taxpayers with business income. The proposal would also reduce the value of AHAP credits from 50% to 40% of donations made to approved affordable housing projects.

The proposal would also change the split between production and operating AHAP credits from the current $10 million for production credits and $1 million annually in operating credits to $8.5 million in production credits and $2.5 million in operating credits.

Finally, the proposal would sunset the AHAP tax credit program 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.

Missouri Low Income Housing Tax Credit

The proposal would change the Missouri Low Income Housing Tax Credit (Mo. LIHTC) from a 10-year tax credit program capped at the annual federal LIHTC cap to a 5-year tax credit capped at $16 million in annual authorizations. Eventually the state would see a significant (over $100 million) reduction in the annual amount of state LIHTC issued and redeemed as a result of this provision. However, because of the significant lag time between authorization, issuance and redemption of credits, it would take several years for the full impact of this change to be realized.

ASSUMPTION (continued)

The proposal would allow taxpayers to begin claiming the full amount of credits issued on the Missouri Eligibility Statement in the calendar year in which the first low-income unit in the property is occupied by a qualified tenant. Currently, taxpayers may only claim a pro-rated amount of credits in the initial years based on the number of months the development has reached the required occupancy levels and cannot claim the remaining amounts until the end of the credit period.

This provision would not change the total amount issued and redeemed, but it would most likely move the redemptions into earlier years and eliminate the proration of initial and final year credits.

The proposal would eliminate the current 4% Mo. LIHTC used for developments receiving an allocation of tax-exempt bonds. Currently, there is a $6 million cap on the authorization of annual 4% credits. There eventually would be a $6 million reduction in 4% Mo. LIHTC redemptions, and a corresponding $6 million increase in General Revenue. However, because of the significant lag time between authorization, issuance and redemption of credits, it would take several years for the full impact of this change to be realized.

The proposal would eliminate the practice known as "stacking" whereby the same development receives both LIHTC and the state Historic Preservation Tax Credits. While this change would affect the total amount and type of state tax credits received by particular developments, it would not affect the overall amount of state tax credits authorized, issued or redeemed. Therefore, this change has no associated fiscal impact.

The proposal would sunset the LIHTC program so that no tax credits would be authorized after Aug. 28, 2015. This would eventually have a significant fiscal impact, but it would take a while for the full effect to be felt due to the lag time between when a tax credit is authorized, issued and redeemed.

Most of the impact from the changes proposed in SS SCS HB 116/316 would be experienced outside of the fiscal note period in question (FY 2012-FY 2014). Because the Mo. LIHTC is currently a 10-year credit, the full impact of the reductions in tax credit issuances and redemptions would would be phased in through FY24. The fiscal impact associated with a reduction in Mo. LIHTC tax credit issuances and redemptions would be projected to start in FY14 in the amount of $400,000.

ASSUMPTION (continued)

FY	AHAP Long-Range Impact	Mo. LIHTC Long-Range Impact
FY12	$0	$0
FY13	$0	$0
FY14	$0	Unknown to $400,000
FY15	$0	Unknown to $3,100,000
FY16	Unknown to $11,000,000	Unknown to $6,300,000
FY17	Unknown to $11,000,000	Unknown to $9,500,000

Business Tax Credit Provisions

Officials from the **Department of Economic Development, Missouri Development Finance Board** (MDFB) provided the following response.

This proposal would reduce the MDFB Infrastructure Development Credit from a 50% credit to a 35% credit effective December 31, 2011. In addition, the proposal would reduces the MDFB Infrastructure Development Credit from a 50% credit to a 35% credit effective December 31, 2011. The proposal would eliminate the MDFB BUILD program effective August 28, 2011, and would eliminate the MDFB Infrastructure Development Credit and the MDFB Bond Guarantee Tax Credit program effective August 28, 2014.

MDFB does not receive state appropriations; however, MDFB collects an annual fee from recipients of BUILD tax credits. Project fee income is 33% of the MDFB FY2012 operating budget, and was projected to be over 50% of future operating budgets due to the effects of the economic downturn on other programs. This proposal would reduce and eliminate MDFB project fee income.

The proposal would potentially increase state revenue due to the elimination of tax credits that offset taxes otherwise paid to the state. Credits issued through the BUILD program are a stream issued over 15 years. Previously approved projects would continue to receive approximately $111 million in benefits through 6/30/2029. BUILD projects authorized through August 28, 2011 wouldcontinue to impact State Revenue for 15 years from this date. Potential savings would result from no additional projects and no incremental increases, but credits would continue to be issued through 2029 as they are contractually obligated so long as the projects are in compliance with the program guidelines.

ASSUMPTION (continued)

The proposal would also eliminate the MDFB Bond Guarantee Tax Credit. These credits are only issued in the event of project default. Currently, the credits are used as collateral for 3 MDFB owned Parking Garages in St. Louis.

Savings to General Revenue is estimated at -0- for Fiscal Years 2013, 2014, and 2015 as it is expected that the programs would continue to maintain their current level of impact until after the State sunset date. Estimated savings can not be properly estimated until after the effective date has passed and all existing projects can be accounted for.

Officials from the **Department of Economic Development, Division of Business and Community Services** (BCS) assume this proposal, as amended, would make revisions to several tax credit programs, would sunset several tax credit programs, and would repeal one program administered by the Department of Economic Development (DED).

The following tax credits administered by the DED that would be sunset include: Neighborhood Assistance Program (32.115); Development Tax Credit (32.115); Youth Opportunities (135.460); Neighborhood Preservation (135.487); Family Development Account (208.770); Historic Preservation (253.550); Brownfield Remediation, and Brownfield Jobs & Investment (447.708); and Wine and Grape Growers (135.700). The tax credit program administered by DED repealed under this proposal is the Small Business Incubator program (620.495). BCS assumed a positive fiscal impact of $500,000 per year from the repeal of the program.

The proposed legislation would also create several new tax credit programs including the Amateur Sports Event Attraction Tax Credit program (67.3000.1), the Aerotropolis Trade Incentive and Tax Credit Act (135.1500.1), and the Compete Missouri Program (620.2000).

BCS assumes an unknown positive fiscal impact over $100,000 as a result of these sections of the proposed legislation, and anticipates a positive fiscal impact as a result of the sunset or repeal of the specified programs. However, the exact amount of the positive impact is unknown due to uncertainty as to the amount of tax credits that would otherwise be authorized and subsequently redeemed under the sunset/eliminated programs in any subsequent fiscal year.

ASSUMPTION (continued)

The potential positive fiscal impact as a result of the repealed programs 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.

Programs to Sunset	Effective Date	Savings Based on Average Authorizations (FY 2007-FY 2009)	Maximum Savings Based on Current Statutory Cap
Neighborhood Assistance	8/28/2015	$15,652,748	$16,000,000
Development Tax Credit	8/26/2015	$1,450,000	$6,000,000
Youth Opportunities	8/28/2015	$5,641,665	$6,000,000
Neighborhood Preservation	8/28/2014	$14,126,322	$16,000000
Family Development Account	8/28/2015	$99,995	$300,000
Historic Preservation	8/28/2015	$170,114,756	$140,000,000 (FY11)
Brownfield	8/28/2014	$22,348,784	Unknown (program uncapped)
Wine and Grape Growers	8/28/2014	$183,495	Program currently uncapped ($200,000 cap proposed)
TOTAL SAVINGS		**$229,617,765**	**$184,300,000**

FISCAL IMPACT - State Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE FUND			
Cost - Department of Revenue			
Salaries (8 FTE)	($151,200)	($183,254)	($185,087)
Benefits	($79,138)	($95,915)	($96,875)
Overtime	($348,000)	$0	$0
FICA (only) on overtime	($26,622)	$0	$0
Equipment and expense	($55,799)	($6,203)	($6,358)
System upgrades	$0 or (More than $100,000)	$0	$0
Professional services and fees	(More than $100,000)	$0	$0
Amnesty program direct costs	(More than $100,000)	$0	$0
Total	(More than $960,759)	($285,372)	($288,320)
Additional revenue - Reduction in senior Citizen Property Tax Credit program (135.010)	$57,000,000	$57,000,000	$57,000,000
Additional revenue - Elimination of nonbusiness tax credit programs (Various)	More than $1,517,004	More than $1,517,004	More than $1,517,004
Additional revenue - tax amnesty program * (32.083)	More than $674,622	Unknown	Unknown
Additional revenue - collection procedure improvements (140.083, others)	More than $386,137	More than $385,372	More than $388,320
Additional revenue - federal reciprocal agreement (32.385)	Unknown	Unknown	Unknown
Additional Revenue - Compete Missouri related tax credit cap reductions and program eliminations * (Various)	$34,399,749	$48,584,714	$74,439,366

Additional revenue - retention from tax collections ((32.087)	Unknown	Unknown	Unknown
Aerotropolis Program			
Cost - Dept of 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	($121,151)	($131,348)	($132,814)
Revenue reduction - air export tax credit (135.1507)	(Up to $3,600,000)	(Up to $4,200,000)	(Up to $5,400,000)
Revenue reduction - income and franchise taxes withheld (135.1513)	$0	(Unknown)	(Unknown)
Revenue reduction - owner tax credit for eligible costs (135.1513)	$0	(Up to $6,000,000)	(Up to $12,000,000)
Revenue reduction - owner tax credit for interest costs (135.1513)	$0	(Up to $3,000,000)	(Up to $6,000,000)
Missouri Science and Innovation Reinvestment Act (SA 2)			
Revenue - to General Revenue Fund from new taxes collected from new businesses (348.256)	Unknown greater than $1,000,000	Unknown greater than $1,000,000	Unknown greater than $1,000,000
Transfer Out- to MOSIRA Fund of the taxes from new employees in new businesses (MOSIRA) (348.261)	(Unknown greater than $1,000,000)	(Unknown greater than $1,000,000)	(Unknown greater than $1,000,000)
Developmental Disability Care Provider Tax credit Program (SA 8)			
Revenue - Department of Social Services payment with application (135.1180)	Unknown	Unknown	Unknown

Revenue reduction - Department of Social Services - tax credit (135.1180)	(Unknown)	(Unknown)	(Unknown)
Revenue reduction - sales tax exemptions (144.030, 144.540)	(More than $100,000)	(More than $100,000)	(More than $100,000)
Loss - sales tax exemption (144.062)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Loss - penalties and interest not collected due to amnesty (32.383)	(Unknown)	(Unknown)	(Unknown)
Sporting Events Tax Credit Program (67.300)			
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	($60,564)	($65,660)	($66,391)
Loss - Tax credit for attracting sporting events to Missouri (67.300)	$0 to ($3,000,000)	$0 to ($3,000,000)	$0 to ($3,000,000)
Compete Missouri Program			
Transfer Out - Compete Missouri Job Development Fund (620.806)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Loss - Compete Missouri withholding tax retention (620.2000)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Loss - Compete Missouri tax credits (620.2000) *	$0 to ($34,399,749)	$0 to ($48,584,714)	$0 to ($74,439,366)

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND *	**Unknown Greater than $100,000**	**Unknown Greater than $100,000**	**Unknown Greater than $100,000**

*** Note:** **The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.**

The Department of Revenue has estimated that the amnesty program would result in the collection of approximately $74 million in FY 2012 of which approximately $50 million is currently identified and the balance of approximately $24 million would be considered additional revenue.

The Department of Economic Development identified the amount of tax credit reductions related to the Compete Missouri Program and noted that the amount of additional tax credits which would become available for the program could be greater due to tax credits which are approved but not issued. Applicants for those approved credits may not qualify for tax credits to be issued or may terminate the activity supported by the tax credits.

Estimated Net FTE impact to General Revenue Fund	11	11	11

COMPETE MISSOURI JOB 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
Transfer In- gifts, contributions, grants or bequests received (620.806)	$0 to Unknown	$0 to Unknown	$0 to Unknown
Transfer Out - to companies for the training programs set up to help create new jobs (620.806)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT ON COMPETE MISSOURI JOB DEVELOPMENT FUND	**$0**	**$0**	**$0**
COMPETE MISSOURI COMMUNITY COLLEGE NEW JOBS TRAINING FUND			
Transfer In - new jobs credits (620.809)	$0 to Unknown	$0 to Unknown	$0 to Unknown
Transfer In- gifts, contributions, grants or bequests received (620.8/09)	$0 to Unknown	$0 to Unknown	$0 to Unknown
Transfer Out- to community colleges for training project costs (620.809)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT ON COMPETE MISSOURI COMMUNITY COLLEGE NEW JOBS TRAINING FUND	**$0**	**$0**	**$0**

COMPETE MISSOURI COMMUNITY COLLEGE JOB RETENTION TRAINING FUND			
Transfer In - new jobs credits (620.809)	$0 to Unknown	$0 to Unknown	$0 to Unknown
Transfer In- gifts, contributions, grants or bequests received (620.809)	$0 to Unknown	$0 to Unknown	$0 to Unknown
Transfer Out- to community colleges for training project costs (620.809)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT ON COMPETE MISSOURI COMMUNITY COLLEGE JOB RETENTION TRAINING FUND	**$0**	**$0**	**$0**
CONSERVATION COMMISSION FUND			
Revenue reduction - fee office retention (136.055)	($149,485)	($179,382)	($179,382)
Revenue reduction - sales tax exemptions (144.030, 144.062, 144.540)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**($149,485 to Unknown)**	**($179,382 to Unknown)**	**($179,382 to Unknown)**

PARKS, AND SOIL AND WATER FUND			
Revenue reduction - fee office retention (136.055)	($119,588)	($143,506)	($143,506)
Revenue reduction - sales tax exemptions (144.030, 144.062, 144.054)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	**($119,588 to Unknown)**	**($143,506 to Unknown)**	**($143,506 to Unknown)**
SCHOOL DISTRICT TRUST FUND			
Revenue reduction - fee office retention	($943,467)	($1,132,160)	($1,132,160)
Revenue reduction - sales tax exemptions (144.030, 144.062, 144.540)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**($943,467 to Unknown)**	**($1,132,160 to Unknown)**	**($1,132,160 to Unknown)**
ROAD BOND FUND			
Revenue reduction - fee office retention	($1,610,821)	($1,932,985)	($1,932,985)
ESTIMATED NET EFFECT ON ROAD BOND FUND	**($1,610,821)**	**($1,932,985)**	**($1,932,985)**
STATE ROAD FUND			
Revenue reduction - fee office retention	($1,175,899)	($1,411,079)	($1,411,079)
ESTIMATED NET EFFECT ON STATE ROAD FUND	**($1,175,899)**	**($1,411,079)**	**($1,411,079)**

STATE TRANSPORTATION FUND			
Revenue reduction - fee office retention	($32,216)	($38,660)	($38,660)
ESTIMATED NET EFFECT ON STATE TRANSPORTATION FUND	**($32,216)**	**($38,660)**	**($38,660)**
MISSOURI SCIENCE AND INNOVATION REINVESTMENT FUND			
Transfer In - taxes from new employees in the new businesses	More than $1,000,000	More than $1,000,000	More than $1,000,000
Costs - expenditures made by the MTC	(More than $1,000,000)	(More than $1,000,000)	(More than $1,000,000)
ESTIMATED NET EFFECT TO THE MISSOURI SCIENCE AND INNOVATION REINVESTMENT FUND	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
LOCAL GOVERNMENTS			
Revenue reduction - Department of Revenue collection percentage	(Unknown)	(Unknown)	(Unknown)
Revenue reduction - fee office retention	($402,705)	($483,246)	($483,246)
Revenue reduction - sales tax exemptions	(More than $100,000)	(More than $100,000)	(More than $100,000)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	**(More than $402,705 to Unknown)**	**(More than $483,246 to Unknown)**	**(More than $483,246 to Unknown)**

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses which are involved in certain economic development and tax credit programs.

FISCAL DESCRIPTION

This act would modify laws regarding the collection of moneys owed to the state.

* The Department of Revenue would be authorized to retain one percent of the amount of any local sales or use taxes collected by the department for the cost of collection.

* Anyone making a claim or having a judgment under the provisions of the State Legal Expense Fund would be required to have a no-tax due statement from the department before any moneys can be expended from the fund for the settlement of any liability claim. Payments of $10,000 or greater from the fund for property damage claims are not required to have a no-tax due statement.

* The act would provide taxpayers with amnesty from the assessment or payment of all penalties, additions to tax, and interest on delinquencies of unpaid taxes administered by the department which occurred on or prior to December 31, 2010.

* State agencies could refer any debt owed to them to the department for collection.

* The department could employ staff, attorneys, prosecuting attorneys, and private collection agencies to aid in the collection of debt. The department would add 10% to the amount of debt to be collected for the cost of collection, which could be waived under certain conditions.

* The director of revenue could issue an administrative garnishment once he or she has filed a certificate of lien in the circuit court for delinquent income, or sales or use taxes. Any person receiving this order would be required to turn over any of the taxpayer's assets in his or her possession and any assets that are to become due the taxpayer.

* Fee offices would be allowed to retain two percent of sales taxes collected on motor vehicles.

DESCRIPTION (continued)

The act would modify provisions of the current state and local sales and use tax exemption for sales of over-the-counter and nonprescription drugs to individuals with disabilities by requiring such items be dispensed pursuant to a lawful prescription and would expands current state and local sales and use tax exemptions to include diabetic accessories and supplies, and the rental of certain medical equipment including scooters and wheelchairs.

The Director of the Department of Revenue and the Commissioner of the Office of Administration could enter into a reciprocal agreement with the federal government or any other state to offset vendor and contractor payments for any type of debt owed to the state. Currently, the department has a reciprocal agreement with the United States Treasury to offset income tax overpayments.

This proposal would also modify provisions of certain Missouri tax credit programs in accordance with recommendations made by the Missouri Tax Credit Review Commission Report.

TAX CREDITS TO ATTRACT SPORTING EVENTS

The act would create a refundable income and financial institutions tax credit which would 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.

The act would also create an income tax credit equal to fifty percent of the amount of an eligible donation made, on or after January 1, 2010, to a certified sponsor or local organizing committee for the purposes of attracting sporting events to the state. The tax credit would be non-refundable, but would be transferable and could be carried forward four years. The Department of Economic Development would be prohibited from issuing more than ten million dollars in tax credits each fiscal year.

DESCRIPTION (continued)

AEROTROPOLIS TRADE INCENTIVE AND TAX CREDIT ACT

The act would be established, and would authorize the City of St. Louis or any county to designate certain areas as gateway zones. Any such municipality that designates an area as a gateway zone would be required to establish a board of supervisors which would annually levy special assessments on facilities located within the zone, which receive benefits provided under the act. Revenues derived from the special assessments would be expended to promote and advertise the gateway zone.

For tax years beginning on or after January 1, 2011, the act would authorizes air export tax credits for freight forwarders in an amount equal to thirty cents per chargeable kilo shipped on a qualifying outbound flight. In lieu of the previously mentioned tax credit, a freight forwarder would be entitled to an air export tax credit equal to thirty-five cents per chargeable kilo if the shipment contains perishable freight. The Department of Economic Development would be required to adjust the tax credit amounts based upon fluctuations in fuel costs for over-the-road transportation.

The total amount of air export tax credits which could be authorized under the act could not exceed sixty million dollars. The act would establish annual caps on the issuance of air export tax credits, and the amount issued in excess of the cap could be carried forward for issuance in the following year.

For all taxable years beginning on or after January 1, 2013, any tenant operating within an eligible facility which satisfies the requirements of the act and employees of such tenant would be entitled to an exemption from local earnings taxes imposed by the City of St. Louis for a period of up to seven years.

For all taxable years beginning on or after January 1, 2013, owners of qualified facilities in which at least twenty percent of the total cargo activity consists of international cargo, would be entitled to receive tax credits over a seven-year period equal to six percent of the eligible costs of such facility. The total amount of tax credits issued to such an owner could not exceed thirty percent of the facility's eligible costs. Owners of qualified facilities in which at least ten percent of the total cargo activity consists of international cargo, as well as any qualifying assembly and manufacturing, or qualifying cold-chain facility would be entitled to receive tax credits over a seven-year period equal to four percent of the eligible costs of such facility.

DESCRIPTION (continued)

The total amount of tax credits issued to such an owner cannot exceed twenty percent of the facility's eligible costs. All tax credits provided under the act would be fully transferrable and non-refundable, but could be carried forward up to six years. No more than three hundred million dollars in tax credits, based upon the eligible costs of a qualifying facility, could be authorized.

BROWNFIELD REMEDIATION TAX CREDITS

The act would prohibit the authorization of more than twenty-five million dollars in Brownfield Remediation Tax Credits annually. The credit amount for soft costs would be reduced from one hundred percent to twenty-five percent, and the act would prohibit the authorization of more than ten million dollars in Brownfield Tax Credits each fiscal year for projects that receive benefits under the Distressed Areas Land Assemblage program.

NEIGHBORHOOD PRESERVATION TAX CREDITS

The "first-come, first-serve" requirement for tax credit issuancewould be repealed and replaced with a targeted neighborhood approach that would provide priority for projects which provide the highest impact. Neighborhood Associations would be able to participate in the program, and the annual cap on neighborhood preservation tax creditswould be reduced from sixteen million dollars to ten million dollars. Ta credits issued to residents would be subject to recapture if the residents fail to maintain residency in such home for a five-year period.

LOW-INCOME HOUSING TAX CREDITS

Under current law, low-income housing tax credits are allowed over a ten-year period. Beginning July 1, 2011, this act would reduce the period of time in which low-income housing tax credits are allowed to a five-year period and would limit the total amount of low-income tax credits authorized annually to no more than ten million dollars. The issuance of four percent low-income housing tax credits would be prohibited after June 30, 2015. The act would also prohibit stacking low-income housing tax credits with historic preservation tax credits.

Taxpayers could receive tax credits once the first low-income unit is occupied by a qualified tenant. The carry-back provision for low-income housing tax credits would be eliminated and the carryforward provision would be limited to five years.

DESCRIPTION (continued)

AFFORDABLE HOUSING ASSISTANCE

Under current law, tax credits for contributions to non-profit organizations for the construction, rehabilitation, or acquisition of affordable housing are capped at ten million per fiscal year. This proposal would reduce the cap to eight million five hundred thousand dollars per fiscal year. The one million dollar fiscal year cap on tax credits for contributions to non-profit housing organizations to assist with their basic operating expenseswould be increased to two million five hundred thousand dollars. The credit amount for affordable housing tax creditswould be reduced from fifty-five percent of an eligible donation or contribution to forty percent of such donation or contribution.

HISTORIC PRESERVATION TAX CREDITS

Under current law, the Department of Economic Development would be prohibited from issuing more than one hundred forty million dollars in Historic Preservation Tax Credits in any fiscal year for projects which would receive more than two hundred and seventy-five thousand dollars in tax credits. Beginning fiscal year 2012, and each fiscal year thereafter, this act would prohibit the Department of Economic Development from issuing more than seventy-five million dollars in Historic Preservation Tax Credits increased by the amount of any recisions of approved applications for tax such credits. Projects which would receive less than two hundred seventy-five thousand dollars in tax credits would be subject to the seventy-five million dollar cap.

The act would prohibit the department from issuing more than fifty thousand dollars in Historic Preservation Tax Credits per project for non-income producing residential rehabilitation projects. Non-income producing residential rehabilitation projects involving a subject property with a purchase price in excess of one hundred fifty thousand dollars would be ineligible for tax credits.

Existing applicants which meet program requirements as of June 30, 2011, would not be subject to the new limitations on tax credit issuance, but would be subject to the current law limitations on tax credit issuance. The act would also prohibit the stacking of Historic Preservation Tax Credits with Neighborhood Preservation Tax Credits or Low-income Housing Tax Credits. Historic Preservation Tax Credits could now be carried back one year or forward five years.

DESCRIPTION (continued)

SOCIAL AND CONTRIBUTION TAX CREDITS

The definition of a taxpayer in social and contribution tax credit programswould be broadened to allow additional donors to participate, and tax credits which are currently non-transferrable would be transferrable. For all tax years beginning on or after January 1, 2012, the act would reduce the Missouri Development Finance Board Infrastructure Contribution credit from a fifty percent credit for contributions received to a credit equal to thirty-five percent. The Affordable Housing Assistance Program tax creditwould be also reduced from fifty-five percent of the eligible donation to forty percent of such donation. The Disabled Access Tax Creditwould be reduced from fifty percent to thirty-five percent of eligible access expenditures.

The act would reduce the fiscal year cap on tax credits for contributions to food pantries to one million dollars, and a new tax credit for contributions to food banks would be created. At the discretion of the food bank, a taxpayer may receive a tax credit equal to thirty-five percent of donations of food or cash made to a food bank after August 28, 2011. The tax credit would non-refundable, but could be carried forward three years and is fully transferrable. Taxpayers that knowingly employ persons who are not authorized to work in the United States would be ineligible to receive the credit.

The Department of Social Services would administer the credit, and allocate tax credits to food banks based on the distribution of benefits provided under the federal Emergency Food Assistance Program. The department would be prohibited from allocating more than one million dollars in tax credits each fiscal year. Food banks would be required to submit plans for how they intend to maximize resources to provide hunger relief, and their annual budgets to the Department of Social Services prior to receiving tax credits.

DESCRIPTION (continued)

SUNSET PROVISIONS FOR CERTAIN TAX CREDIT PROGRAMS

This act would prohibit the authorization of tax credits under the following programs after August 28, 2014:

1) The Brownfield Remediation Tax Credit;
2) The Neighborhood Preservation Tax Credit
3) The MDFB Bond Guarantee Tax Credit;
4) The MDFB Infrastructure Development Contribution Tax Credit;
5) The Family Farm Breeding Livestock Tax Credit;
6) The Agricultural Product Utilization Tax Credit;
7) The New Generation Cooperative Tax Credit;
8) The Qualified Beef Tax Credit;
9) The Wine and Grape Producer Tax Credit; and
10) The Neighborhood Assistance Tax Credit.

The authorization of tax credits under the following programs would be prohibited after August 28, 2015:

1) The Historic Preservation Tax Credit;
2) The Low-Income Housing Tax Credit;
3) The Domestic Violence Shelter Tax Credit;
4) The Maternity Home Tax Credit;
5) The Pregnancy Resource Center Tax Credit;
6) The Shared Care Tax Credit;
7) The Youth Opportunities Tax Credit;
8) The Disabled Access Tax Credit;
9) The Family Development Account Tax Credit;
10) The Residential Treatment Agency Tax Credit;
11) The Food Pantry Tax Credit;
12) The Neighborhood Assistance Program; and
13) The Property Tax Credit (Circuit Breaker).

DESCRIPTION (continued)

The proposed limitations on tax credit authorizations provided in the act would not impair an administering agencie's ability to issue tax credits that were authorized prior to the date on which authorizations are prohibited, nor could they affect a taxpayer's ability to redeem such tax credits.

COMPETE MISSOURI

This act would establish the Compete Missouri Program, which combines six existing business incentive programs and would provide tax incentives for job creation, job retention, and capital investment. The act also establishes the Compete Missouri Job Training Program which combines three existing job training programs and provides funding for job training.

The act provides for the diversion of withholding taxes from new or retained jobs of qualified companies to pay costs incurred by new or retained jobs training projects administered by local educational agencies such as community and technical colleges.

The Compete Missouri Program would provide tax incentives in the form of sales and use tax exemptions, retained withholding taxes, and refundable income and financial institutions tax credits for qualified companies that create new or retain existing jobs and make capital investments. The program provides both entitlement and discretionary benefits for qualified companies that offer health insurance to all employees and pay at least fifty percent of the premiums. Tax credits provided under the program are fully transferrable and must be used within one taxable year following the close of the taxable year in which they are issued.

Qualified companies, which create a minimum of twenty new jobs with an average wage equal to or exceeding ninety percent of the county average wage or retain at least one hundred and twenty-five jobs with an average wage equal to or in excess of ninety percent of the county average wage and make at least fifteen million dollars in capital investment, would be eligible to receive up to three years of state and local sales tax exemption for purchases of tangible personal property and building materials used to construct, repair, or remodel a project facility. The Department of Economic Development would certify qualified companies for the state sales tax exemptions while local governments would have the option to certify qualified companies for exemptions from their local sales taxes. The act includes recapture provisions requiring repayment of tax incentives in the event a qualified company fails to meet program requirements.

DESCRIPTION (continued)

The act prohibits the approval of new projects after August 28, 2011 under the Quality Jobs, Enhanced Enterprise Zone, BUILD, Development, Rebuilding Communities, and Business Facilities programs.

The act limits the amount of up-front job creation and retention tax credits that may be authorized each fiscal year to the amount appropriated.

The total amount of all tax credits authorized for each fiscal year under the Compete Missouri Program including any up-front job creation/retention tax credits and any outstanding authorizations for tax credits under the six programs prohibited from approving new projects after August 28, 2011, could not exceed $111 million for FY 2012, $126 million for FY 2013, and $141 million for FY 2014 and each subsequent fiscal year.

REPEAL OF CERTAIN TAX CREDIT PROGRAMS

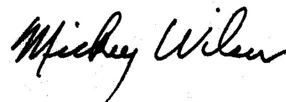
> This act would repeal the Charcoal Producers Tax Credit, the Self-Employed Health Insurance Tax Credit, the Railroad Rolling Stock Tax Credit, and the Brownfield Jobs/Investment Credit. The act would also repeal provisions of the Missouri property tax credit, commonly referred to as the circuit breaker tax credit, which allow renters to receive the property tax credit for rent constituting taxes paid.

The act prohibits the approval of new projects after August 28, 2011, under the Quality Jobs, Enhanced Enterprise Zone, BUILD, Development, Rebuilding Communities, and Business Facilities programs.

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

Office of the State Auditor
Office of Administration
    Division of Budget and Planning
Department of Economic Development
    Division of Business and Community Services
    Missouri Development Finance Board
    Missouri Housing Development Commission
Department of Health and Senior Services
Department of Insurance, Financial Institutions, and Professional Registration
Department of Labor and Industrial Relations
Department of Mental Health
Department of Revenue
Department of Social Services
Department of Transportation
Missouri Consolidated Health Care Plan
Missouri State Employees Retirement System
Joint Committee on Public Employee Retirement
University of Missouri



Mickey Wilson, CPA
Director
May 2, 2011