HB 1455 -- ECONOMIC DEVELOPMENT (Gatschenberger)

COMMITTEE OF ORIGIN: Committee on Economic Development

This bill changes the laws regarding the Manufacturing Jobs Act, the Missouri Job Development Fund, and economic development.

Currently, an economic development tax board established by a city consists of five members. The bill specifies that a board must consist of at least five members but may be increased to nine. The number of members must be designated in the order or ordinance imposing the sales tax authorized under Section 67.1305, RSMo. One member of a five-member board or two members of a nine-member board must be appointed by the school districts within any economic development plan or the area funded by the sales tax. Three members of a five-member board or five members of a nine-member board must be appointed by the chief elected officer of the city with the consent of the majority of its governing body. One member of a five-member board or two members of a nine-member board must be appointed by the governing body of the county in which the city is located. If a board is already in existence, any increase in the number of members must be designated in an order or ordinance. The bill also specifies the terms and election cycle for appointing the additional members.

The bill increases the annual fee for an alternative fuel decal from $75 to $140 for a passenger vehicle, school bus, or a commercial vehicle with a gross vehicle weight of 18,000 pounds or less, from $100 to $185 for a licensed farm vehicle with a gross vehicle weight greater than 18,000 pounds but no more than 36,000 pounds, from $150 to $280 for a vehicle with a gross vehicle weight greater than 18,000 pounds but no more than 36,000 pounds and for a passenger-carrying vehicle, from $250 to $470 for a licensed farm vehicle with a gross vehicle weight greater than 36,000 pounds, and from $1,000 to $1,880 for a vehicle with a gross vehicle weight greater than 36,000 pounds. The fee for a temporary decal for a nonresident's vehicle is increased from $8 to $12. For all new alternative fuel or hydrogen-powered vehicles assembled in Missouri, the first year's decal fee must be one-half of the fees as proposed under these provisions.

The Department of Economic Development must require applicants for economic development assistance to provide third-party verification of financial information when it is submitted to the department and may require key officers of any start-up company who is applying for assistance to pay the fees for any background check.

The department must share all information it has about a company seeking economic development incentives with all local governments and economic development officials competing for the company's business. Local governments and economic development officials must also share all negative information they receive about a company;

The department must develop a five-star system to apprise local governments of the department's opinion on proposals for economic development incentives that combine local and state resources.

The bill requires the department to make efforts to prioritize the use of funding under the Missouri Job Development Fund to assist qualified suppliers as defined in the bill.

The bill changes the job retention provisions in the Missouri Quality Jobs Act. The bill:

(1) Allows a qualified company to receive a tax credit for workforce training if the company and the project meet specified conditions;

(2) Changes the requirement that a qualified company has been determined to represent a substantial risk of relocation to include a company that has been determined to represent a substantial risk of quality job loss;

(3) Reduces, from $70 million to $50 million, the amount of investment that a qualified company must make and increases, from two years to five years, the time period for making the investment and removes the option of making a $30 million investment over two years and maintaining at least an annual payroll of at least $70 million and makes the $70 million annual payroll a requirement for every qualifying company;

(4) Extends the date that a tax credit can be issued for a project if it has been approved by the department from August 30, 2013, to August 30, 2018; and

(5) Authorizes economic incentives for job retention projects for a qualified company that meets certain requirements if the department determines that there is a significant probability that the qualified company would relocate to another state in the absence of the benefits. The economic incentives can be in the form of retaining taxes otherwise withheld from full-time jobs or a tax credit. Prior to the award of any benefits, the department director must notify the President Pro Tem of the Senate and the Speaker of the House of Representatives of the amount of the award and other specified information unless the disclosure is otherwise protected by law. In order to receive withholding tax retention benefits, the qualified company must retain at least 125 full-time employees for a period of 10 years from approval of

the notice of intent, make a new capital investment at the project facility within three years from approval of the notice of intent in an amount equal to 50% of the total withholding tax retention benefits, and enter into a written agreement with the department containing detailed performance requirements and repayment penalties in the event of nonperformance. If a qualified company meets these requirements, it may be authorized to retain up to 100% of the withholding taxes from full-time jobs for a period of 10 years if the average wage of the retained jobs equals or exceeds 90% of the county average wage. The aggregate amount of retained withholding taxes authorized is limited to $6 million for each fiscal year beginning on or after July 1, 2012. The bill specifies the factors that the department must consider in awarding withholding tax retention benefits. Beginning January 1, 2013, but ending on or before December 31, 2014, in lieu of the withholding tax retention benefits, the department may authorize a qualified company a one-time tax credit in an amount up to 7% of new payroll from the new jobs created over a five-year period or up to 9% if the qualified company is in a targeted industry as identified by the department by rule following a specified process. The qualified company must also enter into a written agreement with the department covering the applicable project period which contains detailed performance requirements; the time period during which the tax credits will be issued; repayment penalties, including recapture of the tax credits, in the event of nonperformance; and other specified information. The total credits authorized cannot exceed $10 million annually. A qualified supplier is allowed, with approval of a notice of intent by the department, to retain an amount equal to a maximum of 5.5% of new payroll for a period of five years from the date the required number of jobs were created in this state from the withholding tax of the new jobs that would otherwise be withheld and remitted by the qualified supplier if the average wage of the new jobs equals or exceeds the county average wage. An additional .5% of new payroll may be added to the 5.5% maximum if the average wage of the new jobs in any year exceeds 120% of the county average wage in the county in which the project facility is located, plus an additional .5% of new payroll may be added if the average wage of the new jobs in any year exceeds 140% of the average wage in the county in which the project facility is located. The department must issue a refundable tax credit for any difference between the amount of benefit allowed and the amount of withholding tax retained by the qualified supplier in the event the withholding tax is not sufficient to provide the entire amount of benefit due to the qualified supplier. Any tax credits issued under these provisions must be subject to specified provisions of the Missouri Quality Jobs Act in Section 620.1881, RSMo. If a qualified supplier also participates in the New Jobs Training Program in Sections 178.892 to 178.896, the company must retain no withholding tax, but the department must issue a refundable tax credit for the full amount of benefit allowed under these provisions. The calendar year annual maximum amount of tax credits which may be issued to a qualified supplier that also participates in the New Jobs Training Program must be increased by an amount equivalent to the withholding tax retained by that company under the New Jobs Training Program. If combined benefits of this program and the New Jobs Training Program exceed the projected state benefit of the project as determined by the department through a cost-benefit analysis, the increase in the maximum tax credits must be limited to the amount that would not cause the combined benefits to exceed the projected state benefit.

The bill allows a company that no longer qualifies under Section 620.495 to apply for a loan if it can demonstrate specific economic growth.

The department must include a conflict of interest policy in all new consulting contracts for trade offices located in foreign countries.

FISCAL NOTE: Estimated Net Effect on General Revenue Fund of an income of $0 or a cost of $68,405 in FY 2013, an income of $0 or a cost of $74,352 in FY 2014, and an income of $0 or a cost of $75,152 in FY 2015. Estimated Net Income of Other State Funds of Less than $100,000 in FY 2013, FY 2014, and FY 2015.