

SECOND REGULAR SESSION  
HOUSE COMMITTEE SUBSTITUTE FOR  
**SENATE BILL NO. 827**  
**89TH GENERAL ASSEMBLY**

Reported from the Committee on Commerce, April 16, 1998, with recommendation that the House Committee Substitute for Senate Bill No. 827 Do Pass.  
ANNE C. WALKER, Chief Clerk  
L3600.03C

**AN ACT**

To repeal section 135.110, RSMo Supp. 1997, and section 135.208, as enacted by senate bill no. 1 of the second extraordinary session of the eighty-ninth general assembly and approved by the governor relating to tax credits and incentives for economic development purposes, and to enact in lieu thereof sixteen new sections relating to the same subject.

*Be it enacted by the General Assembly of the state of Missouri, as follows:*

Section A. Section 135.110, RSMo Supp. 1997, and section 135.208, as enacted by senate bill no. 1 of the second extraordinary session of the eighty-ninth general assembly and approved by the governor are repealed and sixteen new sections enacted in lieu thereof, to be known as sections 135.110, 135.208, 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 14, to read as follows:

135.110. 1. Any taxpayer who shall establish a new business facility shall be allowed a credit, each year for ten years, in an amount determined under subsection 2 or 3 of this section, whichever is applicable, against the tax imposed by chapter 143, RSMo, excluding withholding tax imposed by sections 143.191 to 143.265, RSMo, or an insurance company which shall establish a new business facility by satisfying the requirements in subdivision (8) of section 135.100 shall be allowed a credit against the tax otherwise imposed by chapter 148, RSMo, and in the case of an insurance company exempt from the thirty percent employee requirement of section 135.230, against any obligation imposed pursuant to section 375.916, RSMo, except that no taxpayer shall be entitled to multiple ten-year periods for subsequent expansions at the same facility, except as otherwise provided in this section. For the purpose of this section, the term "facility" shall mean, and be limited to, the facility or facilities which are located on the same site in which the new business facility is located, and in which the business conducted at such facility or facilities is directly related to the business conducted at the new business facility. Notwithstanding the provisions of this subsection, a taxpayer may be entitled to an additional ten-year period if a new business facility is expanded in the eighth, ninth or tenth year of the current ten-year period or in subsequent years following the expiration of the ten-year period, if the number of new business facility employees attributed to such expansion is at least twenty-five and the amount of new business facility investment attributed to such expansion is at least one million dollars. Credits may not be carried forward but shall be claimed for the taxable year during which commencement of commercial operations occurs at such new business facility, and for each of the nine succeeding taxable years. The initial application for claiming tax credits must be made in the taxpayer's tax period immediately following the tax period in which commencement of commercial operations began at the new business facility. This provision shall have effect on all initial applications filed on or after August 28, 1992. No credit shall be allowed under this section unless the number of new business facility employees engaged or maintained in employment at the new

business facility for the taxable year for which the credit is claimed equals or exceeds two; except that the number of new business facility employees engaged or maintained in employment by a revenue producing enterprise other than a revenue producing enterprise defined in paragraphs (a) to (g) and (i) to (l) of subdivision (11) of section 135.100 which establishes an office as defined in subdivision (8) of section 135.100 shall equal or exceed twenty-five.

2. For tax periods beginning after August 28, 1991, in the case of a taxpayer operating an existing business facility, the credit allowed by subsection 1 of this section shall offset the greater of:

(1) Some portion of the income tax otherwise imposed by chapter 143, RSMo, excluding withholding tax imposed by sections 143.191 to 143.265, RSMo, or in the case of an insurance company, the tax on the direct premiums, as defined in chapter 148, RSMo, and in the case of an insurance company exempt from the thirty percent employee requirement of section 135.230, against any obligation imposed pursuant to section 375.916, RSMo, with respect to such taxpayer's new business facility income for the taxable year for which such credit is allowed; or

(2) Up to fifty percent of the business income tax otherwise imposed by chapter 143, RSMo, excluding withholding tax imposed by sections 143.191 to 143.265, RSMo, or in the case of an insurance company, the tax on the direct premiums, as defined in chapter 148, RSMo, and in the case of an insurance company exempt from the thirty percent employee requirement of section 135.230, RSMo, against any obligation imposed pursuant to section 375.916, RSMo, if the business operates no other facilities in Missouri. In the case of an existing business facility operating more than one facility in Missouri, the credit allowed in subsection 1 of this section shall offset up to the greater of the portion prescribed in subdivision (1) of this subsection or twenty-five percent of the business' tax, except that no taxpayer operating more than one facility in Missouri shall be allowed to offset more than twenty-five percent of the taxpayer's business income tax in any tax period under the method prescribed in this subdivision. Such credit shall be an amount equal to the sum of one hundred dollars for each new business facility employee plus one hundred dollars for each one hundred thousand dollars, or major fraction thereof (which shall be deemed to be fifty-one percent or more) in new business facility investment. For the purpose of this section, tax credits earned by a taxpayer, who establishes a new business facility because it satisfies the requirements of paragraph (c) of subdivision (4) of section 135.100, shall offset the greater of the portion prescribed in subdivision (1) of this subsection or up to fifty percent of the business' tax provided the business operates no other facilities in Missouri. In the case of a business operating more than one facility in Missouri, the credit allowed in subsection 1 of this section shall offset up to the greater of the portion prescribed in subdivision (1) of this subsection or twenty-five percent of the business' tax, except that no taxpayer operating more than one facility in Missouri shall be allowed to offset more than twenty-five percent of the taxpayer's business income tax in any tax period under the method prescribed in this subdivision.

3. For tax periods beginning after August 28, 1991, in the case of a taxpayer not operating an existing business facility, the credit allowed by subsection 1 of this section shall offset the greater of:

(1) Some portion of the income tax otherwise imposed by chapter 143, RSMo, excluding withholding tax imposed by sections 143.191 to 143.265, RSMo, or in the case of an insurance company, the tax on the direct premiums, as defined in chapter 148, RSMo, and in the case of an insurance company exempt from the thirty percent employee requirement of section 135.230, against any obligation imposed pursuant to section 375.916, RSMo, with respect to such taxpayer's new business facility income for the taxable year for which such credit is allowed; or

(2) Up to one hundred percent of the business income tax otherwise imposed by chapter 143,

RSMo, excluding withholding tax imposed by sections 143.191 to 143.265, RSMo, or in the case of an insurance company, the tax on the direct premiums, as defined in chapter 148, RSMo, and in the case of an insurance company exempt from the thirty percent employee requirement of section 135.230, against any obligation imposed pursuant to section 375.916, RSMo, if the business has no other facilities operating in Missouri. In the case of a taxpayer not operating an existing business and operating more than one facility in Missouri, the credit allowed by subsection 1 of this section shall offset up to the greater of the portion prescribed in subdivision (1) of this subsection or twenty-five percent of the business' tax, except that no taxpayer operating more than one facility in Missouri shall be allowed to offset more than twenty-five percent of the taxpayer's business income tax in any tax period under the method prescribed in this subdivision. Such credit shall be an amount equal to the sum of seventy-five dollars for each new business facility employee plus seventy-five dollars for each one hundred thousand dollars, or major fraction thereof (which shall be deemed to be fifty-one percent or more) in new business facility investment.

4. The number of new business facility employees during any taxable year shall be determined by dividing by twelve the sum of the number of individuals employed on the last business day of each month of such taxable year. If the new business facility is in operation for less than the entire taxable year, the number of new business facility employees shall be determined by dividing the sum of the number of individuals employed on the last business day of each full calendar month during the portion of such taxable year during which the new business facility was in operation by the number of full calendar months during such period. For the purpose of computing the credit allowed by this section in the case of a facility which qualifies as a new business facility because it qualifies as a separate facility under subsection 6 of this section, and, in the case of a new business facility which satisfies the requirements of paragraph (c) of subdivision (4) of section 135.100, or subdivision (10) of section 135.100, the number of new business facility employees at such facility shall be reduced by the average number of individuals employed, computed as provided in this subsection, at the facility during the taxable year immediately preceding the taxable year in which such expansion, acquisition, or replacement occurred and shall further be reduced by the number of individuals employed by the taxpayer or related taxpayer that was subsequently transferred to the new business facility from another Missouri facility and for which credits authorized in this section are not being earned, whether such credits are earned because of an expansion, acquisition, relocation or the establishment of a new facility.

5. For the purpose of computing the credit allowed by this section in the case of a facility which qualifies as a new business facility because it qualifies as a separate facility under subsection 6 of this section, and, in the case of a new business facility which satisfies the requirements of paragraph (c) of subdivision (4) of section 135.100 or subdivision (10) of section 135.100, the amount of the taxpayer's new business facility investment in such facility shall be reduced by the average amount, computed as provided in subdivision (7) of section 135.100 for new business facility investment, of the investment of the taxpayer, or related taxpayer immediately preceding such expansion or replacement or at the time of acquisition. Furthermore, the amount of the taxpayer's new business facility investment shall also be reduced by the amount of investment employed by the taxpayer or related taxpayer which was subsequently transferred to the new business facility from another Missouri facility and for which credits authorized in this section are not being earned, whether such credits are earned because of an expansion, acquisition, relocation or the establishment of a new facility.

6. If a facility, which does not constitute a new business facility, is expanded by the taxpayer,

the expansion shall be considered a separate facility eligible for the credit allowed by this section if:

(1) The taxpayer's new business facility investment in the expansion during the tax period in which the credits allowed in this section are claimed exceeds one hundred thousand dollars, or, if less, one hundred percent of the investment in the original facility prior to expansion and if the number of new business facility employees engaged or maintained in employment at the expansion facility for the taxable year for which credit is claimed equals or exceeds two, except that the number of new business facility employees engaged or maintained in employment at the expansion facility for the taxable year for which the credit is claimed equals or exceeds twenty-five if an office as defined in subdivision (8) of section 135.100 is established by a revenue producing enterprise other than a revenue producing enterprise defined in paragraphs (a) to (g) and (i) to (l) of subdivision (11) of section 135.100 and the total number of employees at the facility after the expansion is at least two greater than the total number of employees before the expansion, except that the total number of employees at the facility after the expansion is at least greater than the number of employees before the expansion by twenty-five, if an office as defined in subdivision (8) of section 135.100 is established by a revenue producing enterprise other than a revenue producing enterprise defined in paragraphs (a) to (g) and (i) to (l) of subdivision (11) of section 135.100; and

(2) The expansion otherwise constitutes a new business facility. The taxpayer's investment in the expansion and in the original facility prior to expansion shall be determined in the manner provided in subdivision (7) of section 135.100.

7. No credit shall be allowed under this section to a public utility, as such term is defined in section 386.020, RSMo. Notwithstanding any provision of this subsection to the contrary, motor carriers, barge lines or railroads engaged in transporting property for hire, or any interexchange telecommunications company that establishes a new business facility shall be eligible to qualify for credits allowed in this section.

8. For the purposes of the credit described in this section, in the case of a corporation described in section 143.471, RSMo, or partnership, in computing Missouri's tax liability, this credit shall be allowed to the following:

(1) The shareholders of the corporation described in section 143.471, RSMo;

(2) The partners of the partnership. This credit shall be apportioned to the entities described in subdivisions (1) and (2) of this subsection in proportion to their share of ownership on the last day of the taxpayer's tax period.

9. Notwithstanding any provision of law to the contrary, any employee-owned engineering firm classified as SIC 8711, architectural firm as classified SIC 8712, or accounting firm classified SIC 8721 establishing a new business facility because it qualifies as a headquarters as defined in subsection 10 of this section, shall be allowed the credits described in subsection 11 of this section under the same terms and conditions prescribed in sections 135.100 to 135.150; provided:

(1) Such facility maintains an average of at least five hundred new business facility employees as defined in subdivision (5) of section 135.100 during the taxpayer's tax period in which such credits are being claimed; and

(2) Such facility maintains an average of at least twenty million dollars in new business facility investment as defined in subdivision (7) of section 135.100 during the taxpayer's tax period in which such credits are being claimed.

10. For the purpose of the credits allowed in subsection 9 of this section:

(1) "Employee-owned" means the business employees own directly or indirectly, including through an employee stock ownership plan or trust at least:

(a) Seventy-five percent of the total business stock, if the taxpayer is a corporation described in section 143.441, RSMo; or

(b) One hundred percent of the interest in the business if the taxpayer is a corporation described in section 143.471, RSMo, a partnership, or a limited liability company; and

(2) "Headquarters" means:

(a) The administrative management of at least three integrated facilities operated by the taxpayer or related taxpayer; and

(b) The taxpayer's business has been headquartered in this state for more than fifty years.

11. The tax credits allowed in subsection 9 of this section shall be the greater of:

(1) Four hundred dollars for each new business facility employee as computed in subsection 4 of this section and four percent of new business facility investment as computed in subsection 5 of this section; or

(2) Five hundred dollars for each new business facility employee as computed in subsection 4 of this section, and five hundred dollars of each one hundred thousand dollars of new business facility investment as computed in subsection 5 of this section.

12. For the purpose of the credit described in subsection 9 of this section, in the case of a small corporation described in section 143.471, RSMo, or a partnership, or a limited liability company, the credits allowed in subsection 9 of this section shall be apportioned in proportion to the share of ownership of each shareholder, partner or stockholder on the last day of the taxpayer's tax period for which such credits are being claimed.

13. **For the purpose of the credit described in subsection 9 of this section**, tax credits earned, to the extent such credits exceed the taxpayer's Missouri tax on taxable business income, shall constitute an overpayment of taxes and in such case, be refunded to the taxpayer provided such refunds are used by the taxpayer to purchase specified facility items. For the purpose of the refund as authorized in this subsection, "specified facility items" means equipment, computers, computer software, copiers, tenant finishing, furniture and fixtures installed and in use at the new business facility during the taxpayer's taxable year. The taxpayer shall perfect such refund by attesting in writing to the director, subject to the penalties of perjury, the requirements prescribed in this subsection have been met and submitting any other information the director may require.

14. Notwithstanding any provision of law to the contrary, any taxpayer may sell, assign, exchange, convey or otherwise transfer tax credits allowed in subsection 9 of this section under the terms and conditions prescribed in subdivisions (1) and (2) of this subsection. Such taxpayer, referred to as the assignor for the purpose of this subsection, may sell, assign, exchange or otherwise transfer earned tax credits:

(1) For no less than seventy-five percent of the par value of such credits; and

(2) In an amount not to exceed one hundred percent of such earned credits. The taxpayer acquiring the earned credits referred to as the assignee for the purpose of this subsection may use the acquired credits to offset up to one hundred percent of the tax liabilities otherwise imposed by chapter 143, RSMo, excluding withholding tax imposed by sections 143.191 to 143.261, RSMo, or chapter 148, RSMo, or in the case of an insurance company exempt from the thirty percent employee requirement of section 135.230, against any obligation imposed pursuant to section 375.916, RSMo. Unused credits in the hands of the assignee may be carried forward for up to five tax periods, provided all such credits shall be claimed within ten tax periods following the tax period in which commencement of commercial operations occurred at the new business facility. The assignor shall enter into a written agreement with the assignee establishing the terms and conditions of the

agreement and shall perfect such transfer by notifying the director in writing within thirty calendar days following the effective date of the transfer and shall provide any information as may be required by the director to administer and carry out the provisions of this subsection. Notwithstanding any other provision of law to the contrary, the amount received by the assignor of such tax credit shall be taxable as income of the assignor, and the difference between the amount paid by the assignee and the par value of the credits shall be taxable as income of the assignee.

135.208. 1. In addition to the number of enterprise zones authorized under the provisions of sections 135.206 and 135.210, the department of economic development shall designate one such zone in any county of the third class which is south of the Missouri River and which adjoins one county of the second class and also the state of Oklahoma. Such designation shall only be made if the area of the county which is to be included in the enterprise zone meets all the requirements of section 135.205.

2. In addition to the number of enterprise zones authorized under the provisions of sections 135.206 and 135.210, the department of economic development shall designate one such zone in any county of the third class which borders the Missouri River and which adjoins a county of the second class with a population of at least one hundred thousand inhabitants and which contains a branch of the state university. Such designation shall only be made if the area of the county which is to be included in the enterprise zone meets all the requirements of section 135.205.

3. In addition to the number of enterprise zones authorized under the provisions of sections 135.206, 135.210 and 135.256, the department of economic development shall designate one such zone in every county of the third class without a township form of government with a population of more than seven thousand eight hundred but less than ten thousand inhabitants located south of the Missouri River, which adjoins one third class county with a township form of government, and which adjoins no first or second class county. Such enterprise zone designation shall only be made if the area in the county which is to be included in the enterprise zone meets all the requirements of section 135.205.

4. In addition to the number of enterprise zones authorized pursuant to the provisions of sections 135.206, 135.210 and 135.256, the department of economic development shall designate one such zone in a city of the third class with a population of more than eight thousand but less than ten thousand located in a county of the third classification with a township form of government with a population of more than twenty thousand but less than twenty-two thousand. Such enterprise zone designation shall only be made if the area in the city which is to be included in the enterprise zone meets all the requirements of section 135.205.

**5. In addition to the number of enterprise zones authorized pursuant to the provisions of sections 135.206, 135.210 and 135.256, the department of economic development shall designate one such zone for any city with a home rule form of government and a population of at least one hundred ten thousand inhabitants but not more than one hundred thirty thousand inhabitants. Such enterprise zone designation shall only be made if the area in the city which is to be included in the enterprise zone meets all the requirements of section 135.205.**

**Section 1. Sections 1 to 14 of this act shall be known and may be cited as the "Missouri Generation Zone Act".**

**Section 2. As used in sections 1 to 14 of this act, the following words and terms mean:**

**(1) "Business", a firm, corporation, partnership, limited liability company, association or other legal entity which is classified by an industry number in the 1987 edition, or its**

successor, of the Standard Industrial Classification Manual as prepared by the Executive Office of the President, Office of Management and Business. For the purposes of sections 1 to 14 of this act, the term "business" shall not include any entity which is primarily involved in gaming or the provision of games of chance;

- (2) "Department", the department of economic development;
- (3) "Development plan", a written plan that addresses the criteria stated in section 5 of this act, and which includes all of the following:
  - (a) A map of the proposed generation zone that indicates the geographic boundaries, the total area, and the present use and conditions of the land and structures within those boundaries;
  - (b) Evidence of community support and commitment from residential and business interests;
  - (c) A description of the methods proposed to increase economic opportunities and expansion, facilitate infrastructure improvement and identify job training opportunities;
  - (d) Current social, economic and demographic characteristics of the proposed generation zone and anticipated improvements in education, health, human services, public safety and employment if the generation zone is created;
  - (e) Any other information required by the department;
- (4) "Generation zone", a geographic area so designated by the department pursuant to the provisions of sections 1 to 14 of this act;
- (5) "Qualified local governmental unit", a city, village, incorporated town or any county of this state;
- (6) "Rural area", an area that lies outside of the boundaries of an urban area;
- (7) "Urban area", an urbanized area as determined by the economics and statistics administration of the United States Bureau of the Census, according to the 1990 decennial census.

Section 3. 1. One or more qualified local governmental units may apply to the department for designation as a generation zone. The geographical area of the proposed generation zone shall be located within the boundaries of the qualified local governmental unit or units which submit the application. The application shall contain a detailed development plan and shall include the proposed duration of generation zone status, which shall not exceed fifteen years. The proposed generation zone shall not be more than a total of three thousand acres in size and shall not contain more than four distinct geographic areas, the smallest of which may be no less than twenty-five acres. No more than fifty percent of the real property contained in each distinct geographic area shall be owned by more than one person.

2. A qualified local governmental unit may submit not more than one application to the department of economic development for designation as a generation zone. A qualified local governmental unit shall not be a part of more than one generation zone.

3. No area shall be designated by the department as a generation zone unless the following criteria are met:

- (1) At least seventy-five percent of the residents living in the area shall have incomes below eighty percent of the median income of all residents within the state of Missouri according to the last decennial census or other appropriate source as approved by the director of the department of economic development; and

- (2) The level of unemployment of persons according to the most recent data available

from the division of employment security or from the United States Bureau of the Census and approved by the director of the department of economic development, within an urban area exceeds two times and within a rural area exceeds one and one-half times the average rate of unemployment for the state of Missouri over the previous twelve months.

Section 4. The department shall review all applications for designation and determine which applications meet the criteria contained in section 5 of this act. The department may approve or reject applications for designation submitted by qualified local governmental units. If an application is approved, the department shall have the authority to shorten or extend the duration of generation zone status, not to exceed fifteen years. The department may also alter the geographical boundaries and total area of a proposed generation zone. The alteration shall not occur, however, unless the qualified local governmental unit which submitted the application consents to the alteration by resolution. The department shall not designate any generation zones prior to January 1, 1999, nor after December 31, 1999.

Section 5. 1. The department shall consider the following criteria in designating generation zones:

- (1) Evidence of adverse economic and social conditions within the proposed generation zone;
- (2) The viability of the development plan;
- (3) Whether the development plan is creative and innovative in comparison to those submitted with other applications;
- (4) Public and private commitment to and other resources available for the proposed generation zone;
- (5) How generation zone designation would relate to a broader plan for the community as a whole;
- (6) The level of demonstrated cooperation from surrounding communities;
- (7) How the local regulatory burden will be eased for businesses operating within a proposed generation zone;
- (8) Public and private commitment to improving abandoned, neglected or underutilized real property; and
- (9) Any other information required by the department.

2. The department shall not designate an area as a generation zone unless, as a part of the application, the qualified local governmental unit or units in which the proposed zone is located provide a resolution or resolutions stating that, if the designation is approved, businesses within the generation zone are exempt from taxes levied by the qualified local governmental unit or units unless the local taxes are mandated by the provisions of the Missouri Constitution.

Section 6. The department shall not designate more than four generation zones within the state. Not more than three of the generation zones shall be located in urban areas of the state. For the purpose of determining whether a generation zone is located in an urban area or rural area, if any part of a zone is located within an urban area, the entire generation zone shall be considered to be located in an urban area.

Section 7. One hundred percent of the taxable income attributable to a business located within a generation zone shall be exempt from taxation normally imposed pursuant to the provisions of chapter 143, RSMo, or chapter 148, RSMo; except withholding tax as provided in sections 143.191 to 143.265, RSMo. This exemption from taxation shall not extend beyond

the final date of duration of the generation zone.

Section 8. 1. One hundred percent of the ad valorem taxes otherwise imposed on subsequent improvements to real property owned by businesses located in a generation zone shall become and remain exempt from assessment and payment of ad valorem taxes of any political qualified local governmental unit thereof for a period of time which shall not extend beyond the final date of duration of the generation zone.

2. The mandatory abatement referred to in this section shall not relieve the assessor or other responsible official from ascertaining the amount of the equalized assessed value of all taxable property annually as required by section 99.855, RSMo, and shall not have the effect of reducing the payments in lieu of taxes referred to in section 99.845, RSMo, unless such reduction is set forth in the plan approved by the municipality pursuant to section 99.820, RSMo.

Section 9. In addition to the sales tax exemptions granted pursuant to the provisions of chapter 144, RSMo, there is also specifically exempted from the provisions of the local sales tax law as defined in section 32.085, RSMo, and section 238.235, RSMo, and sections 144.010 to 144.525 and 144.600 to 144.745, RSMo, and from the computation of the tax levied, assessed or payable pursuant to the local sales tax law as defined in section 32.085, RSMo, and section 238.235, RSMo, and sections 144.010 to 144.525 and 144.600 to 144.745, RSMo, all retail purchases made at any commercial establishment located within the boundaries of a generation zone. The provisions of this subsection shall not extend beyond the final date of duration of the generation zone.

Section 10. The state of Missouri, by means of appropriations made by the general assembly, shall annually reimburse all businesses located within generation zones for the payment to all political subdivisions and taxing districts of all tangible and intangible personal property taxes, assessed and levied pursuant to the provisions of chapter 137, RSMo. The reimbursement shall occur in the calendar year immediately following that in which the taxes are paid. The department of revenue shall file with the secretary of state rules and regulations governing the method of reimbursement. The provisions of this section shall not extend beyond one year after the final date of duration of the generation zone.

Section 11. 1. A business located in a qualified local governmental unit that relocates from outside a generation zone into a generation zone in that same qualified local governmental unit shall not receive the exemptions, abatement or reimbursements authorized by sections 7 to 10 of this act unless the governing body of the qualified local governmental unit in which the generation zone is located approves the relocation of the business.

2. If a business proposes to relocate from one or more local governmental units other than a local governmental unit in which a generation zone is located to a local governmental unit within a generation zone, the business shall notify the department of economic development and the local governmental unit from which the business proposes to relocate. The business is not eligible for the exemptions, abatement and reimbursements authorized by sections 7 to 10 of this act if the local governmental unit from which the business plans to relocate adopts a resolution objecting to the relocation within sixty days after the notification by the business. The business becomes eligible for the exemptions, abatement and reimbursements authorized by sections 7 to 10 of this act if and when the local governmental unit that objected to the relocation rescinds its objection by resolution. A local governmental unit that objects to the relocation of a business shall file all resolutions of objection and rescission with

the department of economic development. As used in this subsection only, the term local governmental unit means a city, village or incorporated town within the state.

Section 12. The department of economic development may issue infrastructure development, improvement or infrastructure removal grants to qualified local governmental units in which a generation zone is located. Such grants shall be made on behalf of business facilities located within the generation zone and the moneys from such grants may only be expended within the boundaries of a designated generation zone. Such grants shall not be used to hire or pay additional employees of the recipient government. Such grants may be used for the payment of costs of materials, supplies, equipment, labor, professional engineering services and consulting fees associated with infrastructure development, improvement or removal. In the case of grants made to qualified local governmental units, located within a rural area, the grant moneys may also be utilized for industrial park preparation. The amount to be issued in a grant shall not exceed one million dollars of the total allowable costs of the infrastructure project. Such grants may be made by the department of economic development from appropriations made for the purposes of this section into the property reuse revolving fund as established by section 447.710, RSMo.

Section 13. 1. There is hereby created a "Generation Zone Association" which shall be formed in each generation zone so designated by the department of economic development. Each association shall consist of seven members, two of whom shall be selected by the governor and five by the chief executive officer of the qualified local governmental unit in which the generation zone is located. Each member shall serve for a term of three years. Of the five members selected by the chief executive officer of the qualified local governmental unit, one shall be a representative of the governmental unit's planning or economic development department, two shall be representatives of businesses located within the zone, one shall be a resident of the zone, and one shall be representative of a neighborhood association, community development corporation or other community organization which is active within the boundaries of the generation zone.

2. Members of each Generation Zone Association shall serve terms of three years. The members shall elect a chairman, a vice chairman and a secretary by majority vote. Staffing for the association shall be provided by the qualified local governmental unit in which the generation zone is located.

3. Each business located within a generation zone which receives the exemptions, abatement or reimbursements authorized by sections 7 to 10 of this act shall annually pay to the Generation Zone Association an amount equal to ten percent of the amount of the incentives received. The association shall have the authority to expend these funds by contracting with other entities for the provision of crime prevention, educational improvements, health services and other community revitalization activities within the boundaries of the generation zone.

Section 14. Prior to January first of each year beginning in 2000, the department of economic development shall report to the governor and the general assembly on the economic effects of sections 1 to 14 of this act in each generation zone. The report shall include, but not be limited to, the number of new jobs created within the zone, and amount of private investment within each zone, the average wage of new jobs created, and the percentage change in the aggregate assessed value of real property contained within the zone.