COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4001-09
Bill No.: Truly Agreed to and Finally Passed HS for SCS for SB 1155
Subject: Agriculture Department, Economic Development.
Type: Original
Date: June 18, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	($2,206,271)	($1,248,322)	$647,905
Total Estimated Net Effect on General Revenue Fund*	**($2,206,271)**	**($1,248,322)**	**$647,905**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Missouri Community College Job Training Retention Fund	$0	$0	$0
Highway Fund	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Road Fund	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Jobs Now	$0	$0	$0
Total Estimated Net Effect on All State Funds*	**$0**	**$0**	**$0**

*** Some of the fiscal impact could be divided between the General Revenue Fund and the County Insurance Funds (which ultimately goes to local school districts) if tax credits are used against insurance premium taxes.**
Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 35 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government*	**$0 or Unknown**	**$0 or Unknown**	**$0 or Unknown**

*** Some of the fiscal impact could be divided between the General Revenue Fund and the County Insurance Funds (which ultimately goes to local school districts) if some of the tax credits are utilized against insurance premium taxes.**

FISCAL ANALYSIS

ASSUMPTION

Officials from the Department of Economic Development refused to respond to our request for a response to this fiscal note.

However, in response to a previous proposal, SS for SCS for HB 1409, the Department of Economic Development assumed costs and savings. Oversight assume these costs will also apply to this bill and will include these costs and savings in this fiscal note.

Officials from the **Office of Administration - Division of Budget and Planning** assume the bill should not result in additional costs or savings to the Division of Budget and Planning. The bill could decrease Total State Revenue and General Revenue. This bill authorizes the creation of additional enterprise zones and expands existing tax credit programs. The Division of Budget and Planning defers to the Department of Economic Development for the specific fiscal impacts.

Officials from the **Office of State Courts Administrator** assume no fiscal impact to their agency.

ASSUMPTION (continued)

Sections 30.750 - 30.765; Linked Deposits

In response to SS for SCS for HB 1409, officials from the **Department of Economic Development (DED)** state this program is administered by the State Treasurer's Office (STO). The substitute appears to give DED the role of determining "targeted industries" for the purpose of identifying "multi-tenant development enterprises" eligible for the program. DED assumes it could do this work with current staff. Other costs would be determined by the STO.

Officials from the **Office of the State Treasurer (STO)** state these sections expand the cap on the linked deposit program by $10 million for eligible multi-tenet development enterprises. The impact on the Treasurer's budget of this bill is minimal. An additional $10 million in linked deposits would probably create an initial increased demand on staff to process applications, receive collateral, etc., but this workload increase should be able to be absorbed with existing staff.

Oversight assumes this part of the proposal allows the State Treasurer to invest $10 million in linked deposits for eligible multi-tenet development enterprises. This may reduce the interest proceeds earned by the State Treasurer, however, Oversight assumes the STO is not obligated to invest in the new enterprises and Oversight assumes the difference in interest proceeds between linked deposits and other investments would be minimal.

Sections 32.105 & 32.110; Development/Neighborhood Assistance Tax Credits

In response to SS for SCS for HB 1409, officials from the **Department of Economic Development (DED)** stated the Development tax credit currently receives $4 million annually out of Neighborhood Assistance Program (NAP) cap. This would authorize the increase of that share to $6 million for FY05, FY06 and FY07.

There is an overall annual cap on NAP so the overall fiscal impact would be $0. DED assumed the increase would be absorbed within the overall cap by NAP not reallocating surrendered/unused NAP credit allocation. So there would be no fiscal impact on the state.

Oversight assumes the total annual limit on tax credits that can be issued by these three programs has not changed, just the distribution between the three, therefore, although the changes may increase or decrease utilization of the programs, the changes will not result in a fiscal impact to the state.

ASSUMPTION (continued)

Section 67.1303; Sales Tax in Springfield, Joplin, Any city in Jasper or Butler County, Butler County, Buchanan County and St. Joseph

In response to a similar proposal from this year (HB 1476), officials with the **Department of Revenue, Department of Economic Development, Department of Labor and Industrial Relations, Department of Elementary and Secondary Education, Jasper County** each assumed this proposal would have no fiscal impact on their agencies.

Oversight assumes that the fiscal impact of this proposal on local governments is unknown, and is dependent upon a vote of the people.

Section 67.1401 - 67.1545; Community Improvement District Act (CID)

In response to SS for SCS for HB 1409, **DED** states this part of the proposal would allow more cities, towns, etc to use the CID Act and to allow any CID to adopt a sales tax. This part of the substitute has no effect on DED.

In response to perfected SB 1269 from this year, officials from the **Department of Revenue (DOR)** assumed this legislation expands the community improvement district law. It may have an impact on the Division of Taxation by creating more districts for DOR to track.

DOR assumed by allowing additional districts, additional programming to the existing MITS system will be required (692 hours for a cost of $23,085) for each district that does not coincide with the boundaries of existing political subdivisions. If there are additional community improvement districts, they will create the need for additional staff to track and maintain the new districts created by this legislation (one Tax Processing Technician I).

DOR assumed for each district created using the same boundaries as existing political subdivisions, there would be no additional programming costs.

It is unknown how many additional districts may be formed as a result of this legislation. It is also unknown if there are additional districts, whether the boundaries would be the same as existing political subdivisions.

DOR assumed for purposes of the response, that there will be at least one new district with non conforming boundaries.

ASSUMPTION (continued)

In response to perfected SB 1269 from this year, officials from **Jefferson County** stated the fiscal impact on this bill is potentially a positive one in that it will allow for additional tax revenue to pay for community improvement projects and possibly create additional revenues as a result of the improvements.

In response to perfected SB 1269 from this year, officials from the **City of Kansas City** assumed this legislation would not generate revenues or savings and would not have any cost or loss to their agency.

Oversight notes that any sales tax proposed would have to be approved by the voters of the improvement districts. **Oversight** assumes that if a district which does not comprise a county or municipality imposes a sales tax, then DOR officials could request additional resources from the General Assembly in order to administer the sales tax.

Section 67.1706 - 67.1754; St. Louis County Metropolitan Park and Recreation System

In response to a similar SS for SCS for HCS for HB 795, 972, 1128 & 1161 (2494-08) this year, officials from the **State Auditor's Office, St. Louis County, Department of Conservation** and **Department of Natural Resources** assume no fiscal impact to their agency.

Section 67.2500 - 67.2530;Theater, Cultural Arts & Entertainment District in St. Charles County

In response to similar legislation (fiscal notes 2494-08 and 2861-04) this year, officials of the **Department of Revenue, Department of Economic Development, Division of Tourism,** and the **State Courts Administrator** assume no fiscal impact to their agencies.

In response to similar legislation, SS for SCS for HCS for HB 795, 972, 1128 & 1161 (2494-08) this year, officials of the **Department of Transportation (MoDOT)** assume this legislation would allow Theater, Cultural Arts and Entertainment Districts to be formed by voters. Such districts would be political subdivisions of the state. Voters may approve a sales tax to fund the purposes of the district. Such purposes include, the funding, promoting and providing of educational, civic, musical, theatrical, cultural, and other entertainment events as well as the funding of the design, construction and improvement of public improvements and transportation projects in the district.

ASSUMPTION (continued)

The number of Entertainment Districts that would be formed, the number that would want transportation improvements and the number of transportation improvements that may impact the state highway system is unknown. If the districts do not allocate funding for state transportation projects, this legislation would have no fiscal impact to MoDOT. However, if the districts do allocate funding for state transportation projects, this legislation would have a positive unknown fiscal impact.

Section 71.620; Business License fee;

In response to a similar proposal from this year, officials from the **City of Maryland Heights** assumed no fiscal impact to their city or other statutory cities from this legislation.

Oversight assumes this part of the proposal would result in an unknown increase in revenue for those villages with less than 1,300 inhabitants that choose to increase their business license fee. Oversight will reflect the fiscal impact to villages as $0 to Unknown.

Section 94.270; Hotel/Motel Business License Fees

In response to similar legislation, SS for SCS for HCS for HB 795, 972, 1128 & 1161 (2494-08) the following fiscal impact statements were made:

Officials of the **Department of Revenue** assume no fiscal impact from this Section.

Officials of the **City of Edmundson** stated that subdivision 2 of Section 94.270 would limit income to $16,662 annually. Officials have estimated that the current license fee would generate $130,000 in budget years 2004/2005. Officials stated this would cut $113,300 in revenue.

Officials of the **City of Woodson Terrace** assumes the license fee provided for in this proposal would add an additional $800 in revenue for the city.

Section 94.578; Springfield Community Improvement Sales Tax

In response to similar legislation, SS for SCS for HS for HB 1409 (4335-15), officials from the **Department of Revenue** state this increase would not cause any further administrative impact.

ASSUMPTION (continued)

The city would notify DOR and the rate for that city would be increased for a three year period. Notification would be needed to inform the businesses.

Oversight assumes this part of the proposal is permissive to the city of Springfield, and if the ballot measure passes, the proceeds raised will be utilized for "the purpose of funding the construction, operation, and maintenance of capital improvements in the city's center city."

Springfield did not respond to our request for fiscal impact.

Sections 99.1000 - 99.1018; Missouri Rural Economic Stimulus Act

In response to a previous version of this proposal, officials with the **Department of Agriculture** and **Department of Natural Resources** assumed no fiscal impact to their agencies.

In response to a previous version of this proposal, officials with the **Department of Economic Development (DED)** assumed funding for MODESA and MORESA will be acquired through the FY05 budget process and this funding can be utilized to implement these proposed changes. DED assumed fewer than 5 additional MORESA applications would be generated by this change.

Sections 100.255 - 100.293; Jobs Now Program

In response to perfected SCS for SB 1234, officials from the **Department of Transportation (DOT)** stated this legislation will have four (4) types of impacts on their agency:

(1) Under Section 100.293, a DOT representative serves on the "Jobs Now Recommendation Committee" and advises on grants, or low-interest, or interest-free loans from the Jobs Now Fund, to help fund Jobs Now projects;

(2) Under the same statute, subsection 4, the Missouri Highways and Transportation Commission (MHTC) and DOT may be asked to provide federal-aid matching highway or transportation funds, in conjunction with the Jobs Now project funds, to help develop a project with concurrent highway or transportation infrastructure development; and

(3) Under the real property tax assessment and payment exemptions in Section 135.1065 for real property in an "enhanced enterprise zone," any MHTC-authorized Transportation Development District (TDD) located in that same area and relying upon real property ad valorem taxation for part of its project revenues, will have those real property tax revenues reduced substantially or eliminated for at least 10 (and up to 25) years. Section 135.1065.4 & .5 could

ASSUMPTION (continued)

substantially hinder or adversely impact an MHTC/DOT-sponsored TDD project.

(4) Under new Section 100.255(11), it may actually cost the state money to save money, because of all of the mandated payouts it provides to an entity that provides a certified design or operation plan that allegedly costs less than the usual and customary average industry cost for construction and improvement of real estate; especially if the actual existence of such a cost savings is disputed and litigated, or this new design or plan is not accepted and used by the state but the entity seeks compensation for it anyway.

In summary, DOT assumed the impact of the legislation is an unknown loss to the Highway fund and the Road fund.

Oversight will range the DOT loss from $0 to an Unknown amount in the two funds.

Section 100.260; Creates the Jobs Now Fund

Officials with the **Office of Administration - Commissioner's Office** assume this section has no fiscal impact to their agency.

Section 100.710; Exception made for H&R Block in the BUILD program;

Oversight assumes this part of the proposal may increase utilization of the program, but the annual cap for the BUILD program is not adjusted with this section.

Section 100.850; Increase annual limit for tax credits in the BUILD program from $11 million to $15 million (BUILD Tax Credit)

In response to SS for SCS for HB 1409, officials from **DED** assumed that based upon current approvals and the timing of approvals and ensuing issuances of credits, it is anticipated that the additional cap would not actually be issued until FY06, and it would not all be authorized at once but the projects would be approved over a time period. DED assumes an increase in credits of $0 in FY 2005, $2.5 million in FY 2006 and $3 million in FY 2007.

ASSUMPTION (continued)

Section 135.155; Eliminates the New or Expanded Business Facility Tax Credit

In response to SCS for HB 1409, officials from **DED** assumed that the language of this new section, in conjunction with other sections "vesting" the receipt of credits in a facility for 10 years, means that this section would result in sunsetting the New/Expanding Business Facility ("BFC") Tax Credit Program such that projects that are "vested" (commencing operations before January 2, 2005 and properly applied etc) will continue to receive incentives; but no new projects.

DED stated this would phase out the entitlement program over a ten year period. Although the FY05 projected costs of the program ($6,525,000) are lower than some previous years due to the economy, the average annual cost of the program from FY99 through FY01 (prior to the recession) was $6,720,345. In FY03 the cost was $7.9 million. The average of these years is $7.01 million. For the purposes of this note, DED assumed an average of $7,000,000 per year cost that would be phased out over a ten year period in increments of 10% added each year. Given the processing time frame on this program, conservative estimates would suggest the tax credit savings would begin to be realized in FY06.

Sections 135.207 - 135.286; Establishes various enterprise zones, but states that no state benefits will be approved, awarded or issued to any person or entity for tax years beginning on or after January 1, 2005

In response to SCS for HB 1409, officials from the **Department of Revenue (DOR)** stated the creation of additional enterprise zones will create additional credit claims. Personal Tax will need 1 Tax Processing Tech for every 3,000 additional claims created by this legislation. Minor programming will need to be needed for the sunset of 135.200, 135.258, 135.535 and 135.545 to place reason codes for denial of the credit claims.

Oversight assumes the new enterprise zones will not be able to receive state benefits, therefore, DOR will not need an additional FTE for this part of the proposal.

In response to SCS for HB 1409, officials from **DED** stated, regarding the many new enterprise zones that because the state incentives for enterprise zones and satellite zones are discontinued for tax years CY05 and thereafter (135.286), that a facility would have to commence operations by December 31, 2004 to get any credits at all, and it is not anticipated that an application for and

ASSUMPTION (continued)

approval of an enterprise zone or satellite zone would take place between August 28, 2004 and December 31, 2004 such that a business in an EZ authorized by this section could receive any state incentives. The costs of this would be local only. No state impact.

DED stated they would still be required to administer the new enterprise zones created, and therefore assume the need for one Economic Development Incentive Specialist II (at $38,088 annually) plus E&E to administer several new enterprise zones. DED assumed the total cost of the FTE would be roughly $70,000 per year.

Oversight assumes DED will not pay for additional office space for this single FTE.

Regarding the phase out of the enterprise zone program, **DED** stated this part of the proposal would phase out the current entitlement program over a ten year period. The FY 2005 projected costs of the program ($18,440,000) are lower than previous years due to the nation still being in recovery from the recession. The average annual cost of the program for FY 1999 through FY 2001 (prior to the recession) was $23,744,860. For the purposes of this note, DED is assuming an average of $22,000,000 per year cost that would be phased out over a ten year period in increments of 10% added each year. Given the processing time frame on this program, conservative estimates would suggest the tax credit savings would begin to be realized in FY 2006. Therefore, in FY 2006, DED assumed a savings of $2,200,000 (10% of $22,000,000) and then a savings of $4,400,000 ($2,200,000 + $2,200,000) in FY 2007.

Section 135.530; Distressed Community Definition

In response to SS for SCS for HB 1409, **DED** states in describing distressed communities, this lowers the population level for census block groups from 2,500 to 500 for metropolitan statistical areas. Also adds federal empowerment zones, federal enhanced enterprise community, and certain state enterprise zones.

This bill repeals or stops the issuance of tax credits in two programs that are for distressed communities only (Transportation Development and Skills Development Account). Other programs with set-asides for distressed communities have exhausted the cumulative cap (CAPCO, Capital tax credit, Seed Capital tax credit). Neighborhood Preservation is a capped program already hitting the cap each year so while there may be more applications, there will not be a higher cost. Staff could absorb costs of processing additional applications there. The other program that would be affected is Rebuilding Communities. Based on significant changes to the

ASSUMPTION (continued)

administration of the program, even with the addition of areas and therefore more applicants we believe the program will come in no greater than currently projected. Additional applications could be processed without additional staff unless the volume is far greater than anticipated. DED assumes no fiscal impact from this part of the proposal.

Oversight assumes this part of the proposal may result in the increased utilization of some of the various tax credit programs that use the definition of distressed communities, however, many of the programs are capped, therefore, Oversight has already reflected the potential losses to the General Revenue fund in previous fiscal notes. Therefore, Oversight assumes this proposal would have a minimal fiscal impact on the General Revenue Fund.

Section 135.546; Repeals Transportation Development Tax Credits

In response to SCS for HB 1409, officials from **DED** stated that some projects already approved would complete contribution and apply for credits prior to January 1, 2005. Additionally, the credit has a 10 year carryforward attribute, so previously issued credits not yet redeemed can be redeemed despite the repeal of the program. Based on total credits issued and not redeemed as of close of FY 2003, assuming current projections of FY 2004 $6 million issued, $5.7 million redeemed, and modifying projections for FY 2005 issued from $2.5 million down to $1.5 million, total outstanding unredeemed credits would be less than $3 million. DED assumed, for purposes of this fiscal note, that $2 million of those credits would be redeemed in FY 2005 and $500,000 each year for FY 2006 and FY 2007. Current projected redeemed for FY 2005 is $4,000,000. DED assumed $3,500,000 per year redeemed without the bill in FY 2006 and thereafter. Therefore, DED assumed a savings of $2 million in FY 2005 and $3 million in both FY 2006 and FY 2007.

Section 135.900 - 135.911; Hickory County Rural Empowerment Zones

In response to a similar proposal from this year, officials from the **Office of Administration - Budget and Planning** stated this should not result in any costs or savings to their agency. The proposal could, however, decrease general revenue and total state revenue.

In response to a similar proposal from this year, officials from the **Department of Revenue (DOR)** stated the proposal would have the following administrative impact:

ASSUMPTION (continued)

Business Tax - This legislation sets up "rural empowerment zones" and would allow income earned in the zone to be exempt from corporate income tax. This should work similar to the enterprise zone credit modification on the corporate side. A line would be added to the corporate income tax return. COINS would need to be modified. It is estimated that 692 hours of programming would be needed for a cost of $23,085.

Personal Tax - The credit will be added to the MO-TC for processing on the individual income tax return. Personal Tax will need 1 Tax Processing Tech for every 3,000 claims to handle the verification, key entry and tracking of the credit. MINITS will need to be modified to process this information. It is estimated that 1,384 hours of programming and testing will be needed to update all systems at a cost of $47,170.

DOR assumed a cost of $103,943 in FY 2005, $34,516 in FY 2006 and $35,390 in FY 2007.

Oversight assumes the programming changes will need to be made by DOR in FY 2005, however, the additional FTE would not be necessary until January, 2005, or 6 months of FY 2005. Oversight also assumes DOR would not incur additional office space expense for the FTE.

Officials from **DED** state this program is similar to enterprise zones. Whereas enterprise zones provide tax credits based on jobs and investment, this program appears to provide for a complete exemption from taxes if the business creates 10 jobs. To provide an estimate of cost, an assumption could be made that a rural empowerment zone would be similar in cost to a satellite enterprise zone of $60,000 to unknown. Using this as a cost and estimating at least 75 zones, the cost would be $4.5 million to unknown.

To administer the program, DED assumed the need for two Economic Development Incentive Specialist II's (each at $38,088 per year) plus equipment and additional expenses. DED assumed the cost of the additional FTEs would be roughly $145,000 per year.

Oversight has reduced the salary of the two FTE to reflect actual starting salary for the position described. Oversight also assumes DED would not incur additional office space expense for the two FTE. Oversight will utilize DED's estimate for the loss to General Revenue from the exemption of income taxes, although the actual reduction could be substantially different.

In response to a similar proposal from this year, officials from **Hickory County** anticipated no savings or revenues from the proposal. Hickory County officials expect costs between $500 and $1,500 for the implementation and continued administration of the zones. Officials also expect a loss of tax revenue based on forgiveness of taxes to be paid by businesses of between $1,000 and

ASSUMPTION (continued)

$5,000 annually, starting in FY 2006.

Oversight assumes the proposal is permissive for local political subdivisions regarding establishing the Rural Empowerment Zones, and therefore, have not reflected a cost to them.

Sections 135.1050 - 135.1075; Enhanced Enterprise Zones

In response to Perfected HB 1409 from this year, officials from **DED** stated the fiscal impact differences are that this program is discretionary and is capped at issuance of $7,000,000 in tax credits annually. A business will receive, each year for up to ten years, the lesser of the amount of credits it is authorized to receive from DED up front based on the projected state economic benefit of the project or credits calculated according to a formula:

- $400 credit per new job
- $400 per new employee zone resident
- $400 per new employee receiving salary higher than county average
- $ = 2% of new investment

Credits must be applied to the tax liability of the year for which they are issued, but they are transferable (75¢ minimum) and refundable.

Section 135.1078; All Enterprise Zones are Eligible to Receive Enhanced Enterprise Zone Benefits

With Section 135.1078, DED assumed a cost to the General Revenue Fund for this part of the proposal to be $4 million in FY 2005, $6 million in FY 2006 and $7 million in FY 2007.

In response to SCS for HS for HB 1409 from this year, officials from the **Department of Revenue** stated this part of the proposal provides a tax credit for corporations in an enhanced zone for business facilities. Taxation assumes that this will be processed the same as the current BFC program. However, if the legislation needs to be tracked separately, DOR will need programming costs for both MINITS AND COINS ($69,255).

Section 144.757; Community Comeback Program

ASSUMPTION (continued)

In response to similar legislation, SS for SCS for HCS for HB 795, 972, 1128 & 1161 (2494-08), officials of the **Department of Revenue, Department of Economic Development, Cities of St. Louis, Springfield, Jasper County** and **Webster County** assume no fiscal impact to their agencies.

Oversight assumes this proposal adds other items on which these monies can be spent and abolishes the Community Comeback Act. Oversight assumes no fiscal impact.

Sections 178.980 - 178.984; Job Training for Retained Jobs

In response to HB 1421 from this year, officials from the **Office of the State Courts**, **Office of the State Treasurer**, **Department of Higher Education** and the **Office of Administration - Divisions of Accounting** and **Personnel** each assumed the proposal would not fiscally impact their agencies.

Officials from the **Office of Administration - Commissioner's Office** assume no fiscal impact to their agency.

In response to HB 1421 from this year, officials from the **Department of Revenue (DOR)** stated this legislation is worded similar to current statute on the New Jobs Training Program. Business Tax would need to develop a form identical to what is currently used in the MO-JTC for employers to use if application has been approved.

DOR states that the Department of Economic Development would be the approving agency, along with Office of Administration, and the businesses would be advised if they have been approved. Legislation indicates DOR's responsibility would be to collect and process. DOR's Taxation division does not anticipate a large number of these withholding employers to be affected by this legislation and the withholding tax system will utilize the current JTC programming for processing. Therefore, it is anticipated that there will not be any additional administrative impact.

In response to HB 1421 from this year, officials from the **Office of Secretary of State (SOS)** assumed there would be costs due to additional publishing duties related to the Department of Economic Development's authority to promulgate rules, regulations, and forms. SOS estimated the division could require approximately 20 new pages of regulations in the Code of State Regulations at a cost of $27.00 per page, and 30 new pages in the Missouri Register at a cost of

ASSUMPTION (continued)

$23.00 per page. Costs due to this proposal are estimated to be $1,230, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS did not anticipate the need for additional staff as a result of this proposal, however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

In response to HB 1421 from this year, officials from the **Department of Economic Development - Division of Workforce Development (DWD)** stated they would coordinate and conduct many aspects of the Retained Jobs Training Program. DWD assumes they would need 1.5 FTE Workforce Development Specialist IVs (each at $45,156 annually) to implement this bill. The requested positions would be responsible for evaluating the proposed projects within the overall job training efforts of the state, ensuring that the project will not duplicate other job training programs, and determining the relocation risk of businesses that apply for the program. It is also estimated that an $8 million appropriation from the Missouri Community College Job Retention Program Fund would be needed to retire certificates issued.

DWD assumed the cost of the required FTE and corresponding fringe benefits and expense and equipment would cost roughly $101,000 per year to the General Revenue Fund.

The DWD stated this proposal mirrors an existing program currently in place that is utilized for new jobs (Community College New Jobs Training Program). Currently, this program has $55 million in certificates outstanding, and requires at least $16 million annually in appropriations to retire these certificates. Since the program in this proposal is allowed to issue roughly half of the certificates outstanding as compared to the existing program ($25 million versus $55 million), DWD assumed the payments needed to retire the certificates under the proposal would also be roughly half, or $8 million annually. This takes into account principle plus interest, and the fact that most of the projects are retired before the eight to ten year window allowed (as specified in subdivision (2) of section 178.981).

In response to Perfected HB 1409 from this year, **DED** stated that because the program requires an appropriation, and there is none in the FY05 budget that passed out of the House, it is assumed the 1st year funds would be via supplemental appropriation for FY05 towards the end of

ASSUMPTION (continued)

FY05. Because of the time limitation on the program and the fact that bonds are involved, DED assumes a maximum number of projects would be approved at the beginning of the program and because payments to retire bonds in less than the general number of years would need to be higher than usual. Based upon the outstanding bond amount and term of bonds, and based upon experience in Community College New Jobs Training Bonds Program (178.892 to 178.896, RSMo), and assuming that the full $15 million would be authorized in the 1st active year, DED now estimates a cost of $0 in FY 2005 and $6 million in each FY 2006 and FY 2007.

DED still assumes the need for 1.5 FTE and costs associated with that.

Oversight has adjusted the salary of the 1.5 FTE Workforce Development Specialist IVs to better represent actual salaries of state workers with the same title within the Division of Workforce Development.

Oversight will assume that the junior college districts will sell all of the $15 million in certificates available per Section 178.983 in Fiscal Year 2005.

Oversight will also assume that all proceeds deposited into the Missouri Community College Jobs Training Retention Program Fund will be disbursed each year.

Section 620.1039; Sunset of the Qualified Research Tax Credit

In response to SS for SCS for HS for HB 1409, **DED** can issue up to $10 million in R&D credits per year. The credit can be carried forward for up to five years. Current projections for redeemed credits for FY 2004 and FY 2005 are $8.5 million each year given the effects of the current economic downturn ($10 million in credits would be issued each year and that amount would eventually be redeemed annually as the economy recovers). It is assumed for this fiscal note that $8.5 would be redeemed in FY 2006 and $9 million in FY 2007. With the repeal of the credit as set forth in this bill, and taking into account total credits issued since FY 1999 but not redeemed as of FY 2003, and current projected redemptions for FY 2004 and FY 2005 as above, with the remaining outstanding credits being redeemed in equal parts in FY 2006, FY 2007 and FY 2008. <u>Therefore, DED assumes a savings of $7.5 million in FY 2006 and $8.0 million in FY 2007.</u>

Section 644.032 St. Louis County Sales Tax

ASSUMPTION (continued)

In a similar proposal, SS for SCS for HCS for HB 795, 972, 1128 & 1161 (2494-08), officials of the **Department of Revenue** assume there would be no fiscal impact to their department.

In a similar proposal, SS for SCS for HCS for HB 795, 972, 1128 & 1161 (2494-08), officials of the **Office of the Director of Administration for St. Louis County** stated that currently the county has no sales taxes (the tax in this section is for storm water control) that would be affected by this proposal. Officials stated that any future sales tax would generate 12% less revenue if food were exempt from a sales tax.

Sections 620.1400 - 620.1460; Repeals the Missouri Individual Training Account

In response to SS for SCS for HS for HB 1409, **DED** states they have very conservatively estimated costs of program at $1,000 - a nominal amount to reflect that it is an entitlement program and anyone eligible who applied would be given tax credits. DED assumes a savings of $1,000 per year from the repeal of this program.

Oversight assumes that since this program has not had any credits issued or redeemed in the last two years, the repeal of this program will not have a fiscal impact to the state.

Section 620.1560; Repeals the Mature Worker Child Care Program

In response to SS for SCS for HS for HB 1409, **DED** states they have very conservatively estimated costs of program at $1,000 - a nominal amount to reflect that it is an entitlement program and anyone eligible who applied would be given tax credits.

Oversight assumes that since this program has not had any credits issued or redeemed in the last two years, the repeal of this program will not have a fiscal impact to the state.

Regarding the Senate Committee Substitute, officials from the **Department of Insurance** state the new tax credit programs could result in an unknown cost to the General Revenue Fund, the County Foreign Insurance Fund and the County Stock Insurance Fund.

This bill could decrease Total State Revenues.

FISCAL IMPACT - State Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE			
Savings - potential savings from discontinuance of current New or Expanded Business Facility tax credit program (135.155)	$0	$700,000	$1,400,000
Savings - potential savings from discontinuance of current Enterprise Zone tax credit program (135.286)	$0	$2,200,000	$4,400,000
Savings - potential savings from deletion of Transportation Development Credit (135.546)	$2,000,000	$3,000,000	$3,000,000
Savings - potential savings from deletion of Qualified Research Expense Credit (620.1039)	$0	$7,500,000	$8,000,000
Costs - DED (for Sections 135.214 - 135.261) - new Enterprise Zones			
Personal Service (1 FTE)	($39,040)	($40,016)	($41,017)
Fringe Benefits	($16,163)	($16,567)	($16,981)
Expense and Equipment	($17,041)	($12,051)	($12,412)
Total Costs - DED	($72,244)	($68,634)	($70,410)
Costs - Department of Revenue			
Programming (Section 135.1070)	($69,255)	$0	$0
Costs - Department of Economic Development (DED) for Sections 178.980 - 178.985 (Job Training)			
Personal Service (1.5 FTE)	($45,146)	($55,542)	($56,931)
Fringe Benefits	($18,695)	($22,994)	($23,569)
Expense and Equipment	($931)	($1,152)	($1,185)
Total Costs (DED)	($64,772)	($79,688)	($81,685)

FISCAL IMPACT - State Government	FY 2005 (10 Mo.)	FY 2006	FY 2007

FISCAL IMPACT - State Government (continued)	FY 2005 (10 Mo.)	FY 2006	FY 2007
Loss - increase in the annual limit for tax credits for the BUILD program (Section 100.850)	$0	($2,500,000)	($3,000,000)
Loss - new Enhanced Enterprise Zone program (Sections 135.1070.5 and 135.1078)	($4,000,000)	($6,000,000)	($7,000,000)
Transfer Out - Percentage of gross wages paid to project employees transferred to Missouri Community College job training retention program fund (Sections 178.980 - 178.985)	$0	($6,000,000)	($6,000,000)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND *	**($2,206,271)**	**($1,248,322)**	**$647,905**

*** The fiscal impact could be divided between the General Revenue Fund and the County Insurance Funds (which ultimately goes to local school districts) if some of the tax credits are utilized against insurance premium taxes.**

MISSOURI COMMUNITY COLLEGE JOB TRAINING RETENTION PROGRAM FUND			
Transfer In - Percentage of gross wages paid to project employees transferred from the General Revenue Fund (Sections 178.980 - 178.985)	$0	$6,000,000	$6,000,000
Expense - appropriations to community college districts of withholding taxes collected per the agreements *	$0	($6,000,000)	($6,000,000)

FISCAL IMPACT - State Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
ESTIMATED NET EFFECT TO THE MISSOURI COMMUNITY COLLEGE JOB TRAINING RETENTION PROGRAM FUND	**$0**	**$0**	**$0**
*** Subject to Appropriation**			
HIGHWAY FUND			
Loss - Department of Transportation (Jobs Now - Sections 100.255 - 100.293)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT TO THE HIGHWAY FUND	**$0 to (Unknown)**	**$0 to (Unknown)**	**$0 to (Unknown)**
ROAD FUND			
Loss - Department of Transportation (Jobs Now - Sections 100.255 - 100.293)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT TO THE ROAD FUND	**$0 to (Unknown)**	**$0 to (Unknown)**	**$0 to (Unknown)**
JOBS NOW FUND (from Sections 100.255 - 100.293)			
Income - from sale of revenue bonds or appropriation from general assembly	Unknown	Unknown	Unknown
Costs - Loans or Grants to Jobs Now applicants	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO THE JOBS NOW FUND	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
LOCAL GOVERNMENTS	FY 2005 (10 Mo.)	FY 2006	FY 2007
Income - Sales tax proceeds for economic development purposes (Section 67.1303 & 94.578)	$0 or Unknown	$0 or Unknown	$0 or Unknown
Income - Cities/Counties Increased Sale/Use Tax (Sections 67.1401 - 67.1545)	$0 or Unknown	$0 or Unknown	$0 or Unknown
Income - Increase in business license fee (from Section 71.620)	$0 or Unknown	$0 or Unknown	$0 or Unknown
ESTIMATED NET EFFECT TO LOCAL GOVERNMENTS	**$0 or Unknown**	**$0 or Unknown**	**$0 or Unknown**
CERTAIN CITIES (Section 94.270)			
Income to City of Woodson Terrace	$800	$800	$800
Loss of Revenue to City of Edmundson	($113,300)	($113,300)	($113,300)
ESTIMATE NET EFFECT TO CERTAIN CITIES	**($112,500)**	**($112,500)**	**($112,500)**
COMMUNITY COLLEGE DISTRICTS SPECIAL PROJECTS FUNDS (from Sections 178.980 - 178.985)			
Income - appropriations from the Missouri junior college retained job training fund	$0	$6,000,000	$6,000,000
Income - other income received by the district required by the agreement	Unknown	Unknown	Unknown

FISCAL IMPACT - Local Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
Expenses - program costs for the projects	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO THE COMMUNITY COLLEGE DISTRICTS SPECIAL PROJECTS FUNDS	**$0**	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses could be impacted by the changes to various programs within the proposal.

Small business located in any county or city that would receive voter approval to impose a sales tax would have fiscal or administrative impact from collection and administration of the tax.

DESCRIPTION

This bill makes changes to various economic development programs.

Sections 30.750 - 30.765: Linked Deposits

Defines the term "Eligible multi-tenant development enterprises" as it relates to linked deposits. These enterprises must be new businesses that develop multi-tenant lab space for targeted industries, as determined by the department of economic development. The subsequent increases the total amount of money that can be invested in linked deposits by $10 million, raising the total amount that can be used for linked deposits to eligible multi-tenant development enterprises.

Section 32.105: Development/Neighborhood Assistance Tax Credits

Increases the cap on Neighborhood Assistance Program Tax Credits that can be approved from $4 million to $6 million in 2005, 2006 and 2007. In 2008 and beyond, this cap will remain $4 million.

Sections 32.105 & 32.110: Development/Neighborhood Assistance Tax Credits

Removes eligible farmers' markets from the list of organizations to which services can be provided in exchange for tax credits. Eligible new generation cooperative is also removed from

DESCRIPTION (continued)

the list definitions. These changes are the result of a court decision that declared SB 894 unconstitutional. Everything that was in SB 894 was left in statute, but is unenforceable.

Section 67.1303: Sales Tax in Springfield, Joplin, Any City in Jasper or Butler County, Butler County, Buchanan County and St. Joseph

Allows the cities of Springfield, and Joplin, any city within Jasper or Butler County, and Butler County to impose a sales tax for economic development. Buchanan County or St. Joseph can also impose this tax. The tax cannot be more than 0.5%. No revenue from the tax can be used for any retail development project. No more than 25% of the revenue generated can be used for administrative purposes and at least 20% of the revenue generated must be used for long-term economic development preparation. If this tax is imposed, the governing body must establish an economic development tax board which must develop economic development plans, economic development projects, or designations of development areas.

The board must report annually to the appropriate governing body on the status of any plan, project, or designation. At any election, the question of whether or not the tax should be repealed can be put on the ballot at the discretion of the governing body. If a petition calling for the repeal is signed by 10% of the registered voters, the governing body must hold an election regarding the repeal of the tax.

Sections 67.1401 & 67.1545: Community Improvement District Act

Expands the definition of "municipality", as it relates to the Community Improvement District Act, to include any city, village, incorporated town, or any unincorporated area of St. Louis County. Current law defines municipality as any city located in any first or second class county and the city of St. Louis.

Expands the Community Improvement District Act to allow any district formed as a political subdivision to establish a sales tax to fund the district. Current law allows only the city of Kansas City to levy this tax.

Sections 67.1706 -067.1754: St. Louis County Metropolitan Park and Recreation System

States that the St. Louis County Metropolitan Park District is not restricted from initiating projects related to parks not necessarily connected to trails. This section also prohibits the

DESCRIPTION (continued)

district from regulating water quality, watershed or land use issues in St. Louis County.

Sections 67.2500 - 67.2530: Theater, Cultural Arts & Entertainment District in St. Charles County

Authorizes voters and property owners in St. Charles County to establish a theater, cultural arts, and entertainment district to be funded by a sales tax of up to 0.5%. The substitute establishes minimum criteria for the formation of the district, including land area and petition requirements.

Registered voters or property owners may file a petition requesting that the district be established. This petition can be filed with the governing body of the city in which the district is to be established or any circuit court in St. Charles County. The substitute specifies the requirements of the petition. A hearing regarding the formation of the proposed district must be held before the question can be placed on a ballot at an election. Subdistricts within the district can oppose the creation of the district and be excluded from the sales tax.

The district will be controlled by a board of directors. The bill specifies the directors' required qualifications. The board will possess and exercise all of the district's powers, which the substitute specifies.

The sales tax will be collected by the district and placed into a special trust fund for the purposes of the district. The sales tax cannot be increased or abolished if the district has outstanding debts.

Section 71.620: Business License Tax

Under current law, a business license tax up to $10,000 may be imposed by villages with less than 1,300 inhabitants. This increases that limit to $15,000.

Section 94.270: Hotel/Motel Business License Fees

Prohibits the City of Edmunson from levying a hotel/motel license fee in excess of $27 per room per year. Prohibits the City of Woodson Terrace from levying a hotel/motel license fee in excess of $13.50 per room.

DESCRIPTION (continued)

Section 94.578 Springfield Community Improvement Sales Tax

Allows Springfield to levy a community improvement sales tax.

Section 99.1000 & 99.1018: Missouri Rural Economic Stimulus Act

Expands the definition of "development project", as it relates to the Missouri Rural Economic Stimulus Act (MORESA), to include eligible new generation processing entities. Current law only allows projects that create renewable fuel production facilities to participate in MORESA. The substitute also allows the Missouri Agriculture and Small Business Development Authority to charge reasonable fees associated with the development project, instead of the Missouri Development Finance Board.

Sections 100.255 - 100.293: Jobs Now Program

Section 100.255: Defines "Jobs Now Projects

Defines "jobs now projects" as the purchase, construction, extension, and improvement of real estate, plants, buildings, structures, or facilities - whether or not now in existence - that are used primarily as infrastructure facilities, public facilities or public higher education infrastructure facilities, except when any entity provides a certified design or operation plan that is demonstrably less expensive than the usual and customary average industry cost for installation, construction, purchasing, extension and improvement of real estate, or a variety of other buildings and facilities. In this case, the company providing these services may receive a payment equal to the usual and customary fee for the project plus additional compensation equal to two times the percentage by which the cost of the activity is less than the usual and customary average industry determination of cost for operation for such facility, procedure, or service for a period of time equal to 1/4 the design lifetime of such entity or 5 years whichever is less.

Section 100.260: Creates the Jobs Now Fund

Creates the Jobs Now Fund, which will be administered by the Missouri Development Finance Board. The MDFB is authorized to make loans and grants from the Jobs Now Fund. Up to $12 million will be allocated to the fund annually. This money will come from the increase in state revenues resulting from the elimination of four tax credit programs: the new or expanded

DESCRIPTION (continued)

business facility tax credit, enterprise zone tax credits and exemptions, transportation development tax credits, and tax credits for qualified research expenses.

Section 100.277: Minority and Women Business Requirement

Requires Jobs Now projects to provide appropriate employment and business opportunities for minority, women, and disadvantaged business enterprises.

Section 100.281: Loan Documentation Change

Current law says that copies of all documents filed with the MDFB in support of a loan application, copies of all agreements, notes, evidence of debts, or security agreements connected with a loan can be forwarded to the Department of Economic Development. If this information is forwarded, the department becomes responsible for the administration of the agreements. In the event of a substantial default in the terms of any of these agreements, the department must notify the MDFB so that the MDFB can take whatever steps necessary to protect its interests. This substitute repeals these provisions.

Section 100.293: Jobs Now Recommendation Committee

Creates the Jobs Now Recommendation Committee which is comprised of representatives from the Departments of Economic Development, Agriculture, Natural Resources, and Transportation. The committee will establish application materials and procedures for development agencies to follow when applying for grants and loans from the MDFB for Jobs Now projects. Applications must be submitted simultaneously to the committee and the MDFB. The committee will review the applications and prepare analyses and recommendations for submission to the MDFB, which the MDFB can use when determining whether or not to approve a particular project for a grant or loan.

Section 100.293: MDFB Determination Requirements

Explains what determinations must be made by the MDFB before all or part of a grant or loan can be made. The board must give preference to projects that protect natural resources or rehabilitate dilapidated or inadequate infrastructure found in distressed communities. The board

DESCRIPTION (continued)

must also determine that the Jobs Now project:

1. Will not happen without the grant or loan; or
2. Will have a significant local economic impact; or
3. Demonstrates high levels of job creation.

In the case of a low- or no-interest loan, the MDFB must determine that the Jobs Now project will generate sufficient revenues to repay the principal loan amount and any applicable interest. No loan or grant may exceed $2 million.

Section 100.710: H&R Block Language

Expands the definition for "eligible industry", as it relates to the BUILD program, to include a tax preparation company headquarters in Kansas City as long as the company creates 100 new jobs for eligible employees. The company must also meet the other BUILD requirement, which is to invest at least $15 million dollars in an economic development project.

Section 100.850: BUILD Tax Credit

Increases the aggregate amount of BUILD tax credits that can be authorized from $11 million to $15 million. This section is also being repealed because it was double-enacted. One section will remain in statute and one will be removed.

Section 135.155: Eliminates the New or Expanded Business Facility Tax Credit

Prohibits tax credits for new or expanded business facilities from being approved, awarded, or issued to new businesses after January 1, 2005 (grandfather's in existing businesses.)

Section 135.207: Satellite Enterprise Zone in Sugar Creek

Requires Department of Economic Development to designate one satellite enterprise zone in Sugar Creek.

DESCRIPTION (continued)

Section 135.212: Enterprise Zones

Designates or modifies the following enterprise zones (numbers below correspond with subsections in the substitute):

1. Laclede County;
2. Richland;
3. Crocker;
4. Douglas County;
5. A zone that located within Sugar Creek, Independence, and Kansas City;
6. St. Clair;
7. Pacific
8. An enterprise zone in the area between Ozark and Nixa;
9. Webster County;
10. Postpones the expiration of the enterprise zones in Linn and Macon Counties to 2015;
11. Shelby County;
12. St. Ann, and;
13. Raytown.

Section 135.215: Springfield Enterprise Zone

Allows designations within Springfield's enterprise zone to be continued for 25 years from the time of the designation rather than from the time the zone was created, as required in current law.

Requires that any abatement or exemption for a business in an enterprise zone stop 30 days after the business closes or there is a significant change in the type of business conducted. A new owner can reapply to receive the abatement or exemption, but cannot receive the benefit for any period of time beyond the life of the zone.

Section 135.262: State-wide Enterprise Zone Designation

Requires that any area that meets all the requirements of an enterprise zone be designated as one by the Department of Economic Development.

DESCRIPTION (continued)

Section 135.286: Enterprise Zone Tax Credits and Exemptions

Prohibits revenue-producing enterprises from receiving enterprise zone tax exemptions, tax credits or refunds for businesses that begin operations after January 1, 2005.

The substitute allows property within an enterprise zone to be exempt from taxation for up to 25 years from the date on which the exemption is granted, not the date on which the zone is designated as current law requires.

Section 135.530: Distressed Community Definition

Expands the definition of a "distressed community" to include areas within metropolitan statistical areas that were designated as either a federal empowerment zone, a federal enhanced enterprise community, or state enterprise zones designated prior to January 1, 1986, but will not include the expansion of those zones done after March 16, 1988.

Section 135.546: Repeals Transportation Development Tax Credits

Prohibits tax credits for investment in, or relocating a business to, a distressed community from being approved, awarded, or issued after January 1, 2005.

Sections 135.-900 - 135.911: Hickory County Rural Empowerment Zones

Authorizes Hickory County to establish up to two rural empowerment zones, with the Department of Economic Development's approval.

The department will review the application to ensure that the area meets all of the following criteria:

(1) The area is one of pervasive poverty, unemployment, and general distress;
(2) At least 65% of the population has earned income below 80% of the median income of all residents within the state;
(3) The population of the area is between 400 and 3,500 at the time of the designation;
(4) The level of unemployment within the area exceeds 150% of the average rate of unemployment for the state over the previous twelve months or the percentage of area residents

DESCRIPTION (continued)

employed on a full-time basis is less than 50% of the statewide percentage;
(5) The area is more than 10 miles from any existing rural empowerment zone;
(6) The area is in a third or fourth classification county; and
(7) The area is not in an existing enterprise zone.

New businesses and revenue-producing enterprises located in the zone will be exempt from paying all Missouri income taxes attributable to the business until August 28, 2014, provided the business creates a certain number of new full-time jobs within one year from the date on which the tax exemption begins. New businesses must create at least 10 new jobs; revenue-producing enterprises that employ fewer than 20 people must create at least five new jobs; and revenue-producing enterprises that employ 20 or more people must create a number of new jobs equal to 25% of the number of full-time employees employed by the revenue-producing enterprise.

Sections 135.1050-135.1075: Enhanced Enterprise Zones

Section 135.1055: Enhanced Enterprise Zone Criteria

To quality as an enhanced enterprise zone; the area must meet the following criteria:

(1) The area must be a blighted area, have pervasive poverty, unemployment and general distress; and

(2) At least 60% of the residents living in the area have incomes below 90% of the median income of all residents within the state or within the county in which the area is located.

(3) In metropolitan statistical areas, the population of the area must be between 500 and 100,000 at the time of designation. If the area is not within a metropolitan statistical area, the population of the area at the time of designation must be between 500 and 40,000. If the population of the jurisdiction of the governing authority does not meet the minimum population requirements the population of the area must be at least 50% of the population of the jurisdiction. However, an entire county cannot be designated as an enhanced enterprise zone; and

(4) The level of unemployment within the area exceeds the average rate of unemployment for either the state over the previous 12 months or the counry in which the area is located over the previous 12 months.

An enhanced enterprise zone may also be established in an area for which public and individual

DESCRIPTION (continued)

assistance has been requested by the Governor for an emergency due to a natural disaster of major proportions. The area must also demonstrate that it has the potential to create sustainable jobs in a targeted industry or a demonstrated impact on industry cluster-development.

Section 135.1057: Enhanced Enterprise Zone Board

Board will have 7 members. The draft explains the membership of the board.

Section 135.1060: Public Hearing Requirements

Any governing authority that wants to have an enhanced enterprise zone within its jurisdiction must hold public hearings. The draft outlines the requirements of the hearing and notification.

This section explains the required elements of the governing body's petition asking the department to designate an enhanced enterprise zone.

The enhanced enterprise zone designation will be effective upon the department's approval and will expire in 25 years.

The board is required to report annually to the director of the department on the status of the zone.

Section 135.1065: Local Property Tax Abatement

Improvements made to real property located within an enhanced enterprise zone may be exempt from ad valorem taxes for up to 25 years from the date on which the zone is designated. At least 50% of the ad valorem taxes which are imposed on subsequent improvement to real property located within an enhanced enterprise zone shall be exempt from taxation for at least 10 years.

Section 135.1070: Enhanced Enterprise Zone Tax Credit

Allows the owner of a new business in an enhanced enterprise zone a tax credit. The tax credit can be claimed for up to 10 years. In order to receive a credit, the owner must employ at least 2 people and invest at least $100,000 in the new business facility. Recipients of this tax credit

DESCRIPTION (continued)

cannot receive tax credits for new or expanded business facilities, enterprise zones, or relocating a business to a distressed community. The credit will be equal to the lesser of:

1. The projected economic benefit the state will receive from the project (as determined by DED); or

2. A credit equal to $400 for each employee working at the facility located within the EEZ; plus $400 for each employee who lives in the EEZ; plus $400 for each employee who is paid a wage that exceeds the average wage paid within the county in which the business is located; plus a credit equal to 2% of the business facility's investment within the EEZ.

Until January 1, 2007, DED cannot authorize more than $4 million annually for all enhanced business enterprises. After this date, no more than $7 million can be authorized annually for all enterprises.

If a facility which is not a new business is expanded by the taxpayer, the expansion will be eligible for the tax credits, as long as the same criteria for a new business facility are met.

Tax credits may not be carried forward but can be sold or transferred.

Section 135.1075: Rulemaking Authority

The department may adopt rules, policies, and procedures that are necessary to carry out the enhanced enterprise zone provisions.

Section 135.1078: All Enterprise Zones are Eligible to Receive Enhanced Enterprise Zone Benefits

Allows all enterprise zones established before January 1, 2006 to receive the tax benefits of an enhanced enterprise zone, but not until after January 1, 2007.

Section 144.757: Community Comeback Program

Repeals the Community Comeback Act. The local use tax in St. Louis County, which is currently used to fund the program will instead be used for economic development and enhancing

DESCRIPTION (continued)

local government in St. Louis County. This tax cannot be imposed on the sale of food. The substitute defines “economic development”.

Sections 178.980 - 178.984: Job Training for Retained Jobs

Allows community college districts to enter into project agreements, with the approval of the Department of Economic Development after consultation with the Office of Administration, with employers who have retained jobs in a stable industry. The requirements for qualifying employers are specified. The term “stable industry” is defined as one which has maintained at least 100 employees per year, has agreed to make a $1 million capital investment, and is at risk of leaving the state.

Community colleges will provide job training, skills assessments, and training facilities among other services and may subcontract with other public or private colleges and governmental agencies. The agreements may provide that program costs be met by receipt of retained jobs credits from withholding, based on 2.5% of the gross wages paid to employees in the first 100 retained jobs and 1.5% for any additional retained jobs. The employer is responsible for meeting any shortfall in withholdings. Community college districts may issue industrial retained job training certificates to provide funds for the payment of costs of the programs, with a statewide cap of $25 million. Timetables for the approval of projects are specified; establishes special funds; and regulates the disbursal of moneys to those funds, certification of withholdings, and borrowing for and issuance of certificates by community college districts. The Department of Economic Development can collect 2% of the total training costs for administrative expenses associated with this program.

A project is prohibited from using this program if it is also using the New Jobs Training Program.

Section 620.1039: Qualified Research Expenses

Prohibits tax credits for qualified research expenses from being approved, awarded, or issued after January 1, 2005.

Section 644.032: St. Louis County Sales Tax

Prohibits any sales tax authorized in St. Louis County for storm water control or local parks from

DESCRIPTION (continued)

being assessed on the sale of food..

Sections 620.1400 - 620.1460: Repeals the Missouri Individual Training Account

Repeals the Missouri Individual Training Account.

Section 620.1560: Repeals the Mature Worker Child Care Program

Repeals the Mature Worker Child Care Program.

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

SOURCES OF INFORMATION

Department of Agriculture
Department of Natural Resources
Department of Revenue
Office of the State Treasurer
Department of Higher Education
Office of Administration
Office of the State Courts Administrator
Office of the Secretary of State
City of Maryland Heights

NOT RESPONDING
Department of Economic Development

Mickey Wilson

Mickey Wilson, CPA
Director
June 18, 2004