

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1537-02  
Bill No.: SCS for SB 280  
Subject: Abortion; Agriculture and Animals; Banks and Financial Institutions; Business and Commerce; Charities; Children and Minors; Conservation Department; Corporations; Disabilities; Economic Development; Economic Development Department; Enterprise Zones; Environmental Protection; Health Care; Historic Preservation; Insurance- General; Taxation and Revenue - General; Taxation and Revenue - Income; Taxation and Revenue - Property; Tax Credits  
Type: Original  
Date: March 14, 2011

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**Bill Summary:** This proposal modifies provisions of Missouri tax credit programs in accordance with recommendations made by the Missouri Tax Credit Review Commission Report.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	Unknown greater than \$144,972,252 to (Unknown greater than \$35,054,654)	Unknown greater than \$179,966,855 to (Unknown greater than \$70,006,471)	Unknown greater than \$180,966,855 to (Unknown greater than \$114,329,705)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>Unknown greater than \$144,972,252 to (Unknown greater than \$35,054,654)</b>	<b>Unknown greater than \$179,966,855 to (Unknown greater than \$70,006,471)</b>	<b>Unknown greater than \$180,966,855 to (Unknown greater than \$114,329,705)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 52 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
Park & Soil Fund	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Conservation Fund	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Compete Missouri Job Development Fund*	\$0	\$0	\$0
Compete Missouri Community College New Jobs Training Fund*	\$0	\$0	\$0
Compete Missouri Community College Job Retention Training Fund*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

\*Note revenues equals grants awarded and net to zero.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Local Government</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

**Section 32.115 Affordable Housing Assistance Program Tax Credits**

Officials at the **Department of Economic Development** assume this proposal in sections 32.115.3-32.115.4 would reduce the Affordable Housing Assistance Program (AHAP) tax credits issued per dollar of charitable donations made to approved affordable housing projects and nonprofit organization operations. Currently, donors receive \$0.55 worth of tax credits per \$1.00 donated. This would reduce the value to \$0.40 of tax credits per \$1.00 donated. This provision could affect the amount of tax credits issued per donor, but it does not affect the overall program cap, so there is no fiscal impact to report as a result of this provision.

DED assumes section 32.115.6 would sunset the AHAP tax credits as of August 28, 2015. This

ASSUMPTION (continued)

would result in an eventual reduction of redemptions and corresponding increase in General Revenue. However, because the AHAP has a 10-year carry forward provision, taxpayers could potentially continue to redeem AHAP credits through FY 2025.

DED assume section 32.115 would change the Neighborhood Assistance tax credit by reducing it from 50% to 35%. The 70% tax credit is left unchanged.

DED assume the potential positive fiscal impact from the Neighborhood Assistance tax credit programs sunset based on estimates of the range of potential positive fiscal impact, with the high end of the range represented by the applicable program cap and the low end represented by the average annual authorizations of tax credits under the applicable programs for fiscal years 2007 through 2009. This range reflects the fact although in any fiscal years there is the potential for tax credit authorizations under these programs up to the applicable cap, the actual authorizations are often less than the cap amount. The savings is based on the average authorizations (FY 07- FY 09) of \$15,652,748 and the maximum savings based on the current statutory cap of \$16,000,000.

**Oversight** assumes this proposal changes the Affordable Housing Assistance Program tax credit by reducing from fifty-five percent of the eligible donation to forty percent of such donation. This tax credit has an annual cap of \$11 million. In FY 2010, \$4,599,981 in tax credits were issued and \$11,647,956 were redeemed.

**Oversight** using the FY 10 amount of tax credits calculated the amount of potential savings that could have occurred if the new reduced 35% rate proposed in this legislation would have been in place in FY 10. At the new 35% rate only \$3,679,985 tax credits would have been issued and therefore the potential savings would have been \$306,388.

**Oversight** can not predict how taxpayers may react to the change in the amount they can claim and therefore can not predict whether there will be a reduction in the amount of the tax credits applications. Oversight assumes the proposed changes could result in a reduced amount of tax credits being issued in future fiscal years, FY 2012 - FY 2015. Oversight will show a projected increase in net revenues as being Unknown over \$100,000.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under these programs after August 28, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

ASSUMPTION (continued)

**Section 99.1205 Distressed Areas Land Assemblage Tax Credit**

Officials at the **Budget and Planning** and the **Department of Economic Development** assume no direct impact to their agencies as a result of this proposal.

**Oversight** assumes the Distressed Areas Land Assemblage Tax Credit would sunset on August 28, 2011. This program has a cap of \$95,000,000 in credit being issued over the life of the program with no more than \$20,000,000 per year. This program issued \$20,000,000 in FY 2010 and \$6,731,635 were redeemed.

**Oversight** assumes any income to the state from tax credits not issued and the taxes being collected will start in September of 2011, which is FY 2012. However, since it is possible for the agency to issue all of the tax credits before this proposal prohibits any more being issued, Oversight will show the increased revenue to the State beginning in FY 2013.

**Sections 32.115 Development Tax Credit**

Officials at the **Department of Economic Development** assume the potential positive fiscal impact from the Development tax credit programs sunset is based on estimates of the range of potential positive fiscal impact, with the high end of the range represented by the applicable program cap and the low end represented by the average annual authorizations of tax credits under the applicable programs for fiscal years 2007 through 2009. This range reflects the fact although in any fiscal years there is the potential for tax credit authorizations under these programs up to the applicable cap, the actual authorizations are often less than the cap amount. The savings is based on the average authorizations (FY 07-FY 09) of \$1,450,000 and the maximum savings based on the current statutory cap of \$6,000,000.

**Oversight** assumes that for all taxable years beginning on or after January 1, 2012, this act decreases the Development Tax Credit from a fifty percent credit for contributions received to a credit equal to thirty-five percent of the contributed amount. This tax credit has an annual cap of \$6 million. In FY 2010, \$2,713,000 tax credits were issued and \$1,589,618 were redeemed.

**Oversight** using the FY 10 amount of tax credits calculated the amount of potential savings that could have occurred if the new reduced 35% rate proposed in this legislation would have been in place in FY 10. At the new 35% rate only \$1,899,100 tax credits would have been issued and therefore the potential savings would have been \$813,900.

**Oversight** can not predict how taxpayers may react to the change in the amount they can claim and therefore can not predict whether there will be a reduction in the amount of the tax credits

ASSUMPTION (continued)

applications. Oversight assumes the proposed changes could result in a reduced amount of tax credits being issued in future fiscal years. Oversight will show a projected increase in net revenues as being Unknown over \$100,000.

**100.286 MDFB Infrastructure**

Officials at the **Budget and Planning** assume this proposal provides a sunset for this program. To the extent this proposal is not extended, general and total state revenues will increase, but associated economic activity may be lost.

Officials at the **Missouri Development Finance Board** assume despite the fact that the Infrastructure Development Tax Credit has an annual cap, the Board currently anticipates that issuances of credits will be significantly under the statutory cap due to the self-regulating nature of the Infrastructure Development Tax Credits during times of economic downturn.

**Oversight** assumes that for all taxable years beginning on or after January 1, 2012, this act decreases the Missouri Development Finance Board Infrastructure Contribution credit from a fifty percent credit for contributions received to a credit equal to thirty-five percent of the contributed amount. This tax credit has an annual cap of \$6 million. In FY 2010, \$2,713,000 in tax credits were issued and \$1,589,618 were redeemed.

**Oversight** using the FY 10 amount of tax credits calculated the amount of potential savings that could have occurred if the new reduced percentage rate proposed in this legislation would have been in place in FY 10. At the new 35% rate only \$27,442,611 tax credits would have been issued and therefore the potential savings would have been \$11,761,119.

**Oversight** can not predict how taxpayers may react to the change in the amount they can claim and therefore can not predict whether there will be a reduction in the amount of the tax credits applications. Oversight assumes the proposed changes could result in a reduced amount of tax credits being issued in future fiscal years, FY 2012 - FY 2015. Oversight will show a projected increase in net revenues as being Unknown over \$100,000.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2014. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2015.

ASSUMPTION (continued)

**Section 100.297 MDFB Bond Guarantee Tax Credit Program**

Officials at the **Budget and Planning** assume this proposal provides a sunset for this program. To the extent this proposal is not extended, general and total state revenues will increase, but associated economic activity may be lost.

Officials at the **Missouri Development Finance Board** assume this bill eliminates the MDFB Bond Guarantee Tax Credit as of August 28, 2014. These credits are only issued in the event of project default. Currently, credits are used as collateral for 3 MDFB owned Parking Garages in St. Louis.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2014. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2015.

**Sections 135.010, 135.025 and 135.030 Property Tax Credit**

In response to the previous version of this proposal, officials at the **Budget and Planning** assume this proposal removes provisions making renters eligible for the Senior Property Tax Credit. Based on data reported to BAP by DOR in the autumn of 2010, renters redeemed \$59.2 million in tax credits in 2008, and \$56.6 million in tax credits in 2009. This proposal will increase general and total state revenues by similar amounts in FY12 and beyond.

Officials at the **Department of Revenue (DOR)** assume in calendar year 2010 there were approximately 106,000 renters that received \$57,000,000 in property tax credits. DOR assumes this proposal would require programming changes to the MINITS system and individual income tax and PRC forms and instruction changes will be required.

Officials at the **University of Missouri** assume that of the approximately \$119 million worth of Property Tax Credits claimed in FY 2009, \$54 million of these credits were claimed by renters.

**Oversight** assumes this proposal removes the provisions allowing individuals who rent to claim the tax credit. This program does not have an annual cap. In FY 2010, \$118,594,589 credits were issued and redeemed. Oversight assumes this proposal will result in a savings to the state because the number of people who are eligible for the credit is reduced. Oversight will show the increase to net revenues from the tax credit program as \$57 million each fiscal year, FY 2012-FY 2014.

ASSUMPTION (continued)

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under these programs after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

**Section 135.090 Surviving Spouse Tax Credit**

Officials at the **Budget and Planning** assume this proposal provides a sunset for this program. To the extent this proposal is not extended, general and total state revenues will increase, but associated economic activity may be lost.

**Oversight** assumes this tax credit was to sunset on August 28, 2013. This proposal extends the tax credit and therefore Oversight will show the loss to state revenue of the tax credits issued in FY 14. Oversight for the fiscal note is showing the amount of loss of revenue to the State as being equal to the amount issued in FY 10.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

**Sections 135.326 & 135.327 Special Needs Adoption/Children In Crisis Tax Credit**

Officials at the **Budget and Planning** assume this proposal provides a sunset for this program. To the extent this proposal is not extended, general and total state revenues will increase, but associated economic activity may be lost.

Officials at the **Department of Revenue (DOR)** assume that international adoptions are eliminated from eligibility under this proposal. DOR estimates 95% percent of all claimants that submit claims for nonresident pool of funds adopted their child internationally. This would potentially save \$1.4 million annually.

**Oversight** assumes this proposal changes the definition of nonrecurring adoption expenses. It is unclear the amount of savings that would result in the number of tax credits issued. Oversight will show the savings as Unknown.

**Oversight** assumes that for all taxable years beginning on or after January 1, 2012, this act decreases the Special Needs Adoption/Children In Crisis Tax Credit from a fifty percent credit for contributions received to a credit equal to thirty-five percent of the contributed amount. This



ASSUMPTION (continued)

tax credit has an annual cap of \$4 million. In FY 2010, \$2,315,044 in tax credits were issued and redeemed.

**Oversight** using the FY 10 amount of tax credits calculated the amount of potential savings that could have occurred if the new reduced 35% rate proposed in this legislation would have been in place in FY 10. At the new 35% rate only \$1,620,531 tax credits would have been issued and therefore the potential savings would have been \$694,513.

**Oversight** can not predict how taxpayers may react to the change in the amount they can claim and therefore can not predict whether there will be a reduction in the amount of the tax credits applications. Oversight assumes the proposed changes could result in a reduced amount of tax credits being issued in future fiscal years. Oversight will show a projected increase in net revenues as being Unknown.

**Oversight** assumes this tax credit was to sunset on August 28, 2012. This proposal extends the tax credit and therefore Oversight will show the loss to state revenue of the tax credits issued in FY 13 and FY 14. Oversight for the fiscal note is showing the amount of loss of revenue to the State as being equal to the average amount issued over the last five years.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

**Section 135.352 Low- Income Housing Tax Credit**

In response to the previous version of this legislation, officials at the **Budget and Planning (BAP)** assume this proposal limits the new authorizations for the LIHTC program to \$16M annually. BAP notes this amount is roughly consistent with authorizations the last several years, but the MHDC projected new authorizations of \$19.2M annually for FY's 11 & 12, and this amount may grow higher as the overall economy recovers or the need for housing grows.

This proposal prohibits the concurrent use of Historic credits with LIH credits. BAP cannot estimate any potential savings from this provision.

Officials at the **Department of Economic Development** assume this would reduce the amount of Low-Income Housing credits authorized, issued and redeemed which would increase total state revenue. The following changes are expected:

ASSUMPTION (continued)

Section 135.353.2 – This section would change the Missouri Low Income Housing Tax Credit (Mo. LIHTC) from a 10-year tax credit program capped at the annual federal LIHTC cap to a 3-year tax credit capped at \$16 million in annual authorizations. Eventually the state would see a significant (over \$100 million) reduction in the annual amount of Mo. LIHTC issued and redeemed as a result of this provision. However, because of the significant lag time between authorization, issuance and redemption of credits, it would take several years for the full impact of this change to be realized.

Section 135.352.3 and 135.352.4 – These sections would allow taxpayers to begin claiming the full amount of credits issued on the Missouri Eligibility Statement in the calendar year in which the first low-income unit in the property is occupied by a qualified tenant. Currently, taxpayers may only claim a pro-rated amount of credits in the initial years based on the number of months the development has reached the required occupancy levels and cannot the remaining amounts not claimed in initial years until the end of the credit period. This provision would not change the total amount issued and redeemed, but it would most likely move the redemptions into earlier years and eliminate the proration of initial and final year credits. However, it is impossible to know how much more quickly the credits would be redeemed. Therefore, the fiscal impact of the provision is unknown.

Section 135.352.5 - This section would eliminate the 4% Mo. LIHTC used for developments receiving an allocation of tax-exempt bonds. Currently, there is a \$6 million cap on the authorization of annual 4% credits. There eventually would be a \$6 million reduction in 4% Mo. LIHTC redemptions (and a corresponding \$6 million increase in General Revenue). However, because of the significant lag time between authorization, issuance and redemption of credits, it would take several years for the full impact of this change to be realized.

Section 135.352.9 - This section would eliminate the practice known as "stacking" whereby the same development receives both Mo. LIHTC and the state Historic Preservation Credit. While this change would affect the total amount and type of state tax credit received by particular developments, it would not affect the overall amount of state tax credits authorized, issued or redeemed. Therefore, this change has no associated fiscal impact.

Section 135.352.12 - This section would sunset the Mo. LIHTC program so that no tax credits would be authorized after Aug. 28, 2015. This would eventually have a significant fiscal impact, but it would take a while for the full effect to be felt due to the lag time between when a tax credit is authorized, issued and redeemed.

Because the Mo. LIHTC is a 10-year credit, the full impact of the reductions in tax credit

ASSUMPTION (continued)

issuances and redemptions due to this proposal would phase in through FY24. The fiscal impact associated with a reduction in Mo. LIHTC tax credit issuances and redemptions would be projected to start in FY14 in the amount of \$400,000 (reduction in redemptions and corresponding increase in General Revenue). The long-range reduction in redemptions (and corresponding increases in General Revenue) associated with this proposal would be projected to phase in over FY15-FY24 as shown below. After FY24, the full impact of this proposal (estimated \$192 million decrease in redemptions and corresponding increase in General Revenue) would be felt each year as long as the changes remained in effect. The numbers below take into account reductions in Mo. LIHTC authorizations, issuances and redemptions from both the move to a three-year program capped at \$16 million per year as well as the eventual sunset of the program after 8/28/2015.

The fiscal impact on AHAP would be the sunset of the program after 8/28/2015.

FY	AHAP Long-Range Impact	Mo. LIHTC Long-Range Impact
FY12		\$0
FY13		\$0
FY14		Unknown to \$400,000
FY15		Unknown to \$3,100,000
FY16	Unknown to \$11,000,000	Unknown to \$6,300,000
FY17	Unknown to \$11,000,000	Unknown to \$9,500,000
FY18	Unknown to \$11,000,000	Unknown to \$12,700,000
FY19	Unknown to \$11,000,000	Unknown to \$27,900,000
FY20	Unknown to \$11,000,000	Unknown to \$47,100,000
FY21	Unknown to \$11,000,000	Unknown to \$66,300,000
FY22	Unknown to \$11,000,000	Unknown to \$85,500,000
FY23	Unknown to \$11,000,000	Unknown to \$104,700,000
FY24	Unknown to \$11,000,000	Unknown to \$111,500,000
FY25 and future years	Unknown to \$11,000,000	Unknown to \$112,000,000

The fiscal impact associated with this legislation would be the savings to the state associated with eliminating the 4% Mo. LIHTC and capping the annual amount of 9% Mo. LIHTC authorized to \$16 million for three years for 1/1/13-8/28/15 and then the eventual sunset of the program in FY16. The fiscal impact from AHAP would be the sunset of the program in FY16. In order to estimate the potential fiscal impact of this proposal, we have projected issuances/redemptions with and without passage of this proposal.

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ASSUMPTION (continued)

Of course, there is no fiscal impact associated with tax credits until they are redeemed. However because both the Mo. LIHTC and AHAP have carry forward provisions, it is impossible to predict with certainty the timing of future redemptions. For purposes of estimate. The numbers are presented as a range from Unknown to the estimated redemption amount if all the previously authorized credits were issued and redeemed. ting fiscal impact, the projections below assume all credits are redeemed in the year of issuance. Several other assumptions were made in order to estimate fiscal impact, and these assumptions are listed below. Assumptions:

- 100% of authorized credits are eventually issued and redeemed.
- Mo. LIHTC developments will continue to follow the same time-frames between authorization and issuance as experienced historically.
- The MO LIHTC 9% annual credit authorizations will be \$8,041,000 in FY11 and \$16,000,000 in FY12-FY15 due to passage of this proposal.
- No Mo. LIHTC will be authorized after FY15 due to passage of this proposal.
- With passage of this proposal Mo. LIHTC 9% developments authorized for credits by MHDC after FY11 will only receive 3 years worth of annual credits, but developments authorized by MHDC in FY11 and prior will receive 10 years of annual credits.
- Only \$2,255,000 of annual Mo. LIHTC 4% credit will be authorized in FY11 and no 4% credits will be authorized after FY11 due to passage of this proposal.
- Without passage of this proposal, \$13.2 million in annual 9% credits and \$6 million in annual 4% credits would be authorized in FY12 and each year thereafter.
- Mo. LIHTC Developments are issued equal amounts of credits each year for their entire credit period (10 years or 5 years).
- Entire \$11 million AHAP statutory cap will be authorized and issued each year.
- No AHAP will be authorized after FY15 due to passage of this proposal.

Estimated Fiscal Impact

	Mo. LIHTC Projected Issuances & Redemptions As Proposed by this proposal	Mo. LIHTC Maximum Projected Issuances & Redemptions Under Current Law	Mo. LIHTC Change in Issuances & Redemptions Based on Proposed legislation	AHAP Projected Change in Issuances & Redemptions As Proposed by this legislation	Estimated Impact on General Revenue Due to this proposal
FY 12	\$165,756,074	\$165,756,074	\$0	\$0	\$0
FY 13	\$165,619,651	\$165,619,651	\$0	\$0	\$0

FY 14	\$165,319,974	\$165,719,974	(Unknown to \$400,000)	\$0	Unknown to \$400,000
FY 15	\$168,269,949	\$171,369,949	(Unknown to \$3,100,000)	\$0	Unknown to \$3,100,000
FY 16	\$168,935,605	\$175,235,605	(Unknown to \$6,300,000)	(Unknown to \$11,000,000)	Unknown to \$17,300,000
FY 17	\$165,024,170	\$174,524,170	(Unknown to \$9,500,000)	(Unknown to \$11,000,000)	Unknown to \$20,500,000
FY 18	\$157,785,802	\$170,485,802	(Unknown to \$12,700,000)	(Unknown to \$11,000,000)	Unknown to \$23,700,000
FY 19	\$138,957,474	\$166,857,474	(Unknown to \$27,900,000)	(Unknown to \$11,000,000)	Unknown to \$38,900,000
FY 20	\$123,882,121	\$170,982,121	(Unknown to \$47,100,000)	(Unknown to \$11,000,000)	Unknown to \$58,100,000
FY 21	\$111,637,127	\$177,937,127	(Unknown to \$66,300,000)	(Unknown to \$11,000,000)	Unknown to \$77,300,000
FY 22	\$94,683,410	\$180,183,410	(Unknown to \$85,500,000)	(Unknown to \$11,000,000)	Unknown to \$96,500,000
FY 23	\$83,137,750	\$187,837,750	(Unknown to \$104,700,000)	(Unknown to \$11,000,000)	Unknown to \$115,700,000
FY 24	\$80,000,000	\$191,500,000	(Unknown to \$111,500,000)	(Unknown to \$11,000,000)	Unknown to \$122,500,000
FY 25	\$80,000,000	\$192,000,000	(Unknown to \$112,000,000)	(Unknown to \$11,000,000)	Unknown to \$123,000,000

**Oversight** assumes that for all taxable years beginning on or after January 1, 2012, this act changes the calculation of the cap on the Low-Income Housing Tax Credit. This tax credit has an annual cap of \$16 million. In FY 2010, \$155,703,625 in tax credits were issued and \$142,141,458 were redeemed. Oversight will show the increased revenue to the state starting in FY 13.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under these programs after August 28, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

**Section 135.460 Youth Opportunities Tax Credit**

Officials at the **Budget and Planning** assume this proposal provides a sunset for this program. To the extent this proposal is not extended, general and total state revenues will increase, but

ASSUMPTION (continued)

associated economic activity may be lost.

Officials at the **Department of Economic Development** assume the potential positive fiscal impact from the Youth Opportunities tax credit programs sunset is based on estimates of the range of potential positive fiscal impact, with the high end of the range represented by the applicable program cap and the low end represented by the average annual authorizations of tax credits under the applicable programs for fiscal years 2007 through 2009. This range reflects the fact although in any fiscal years there is the potential for tax credit authorizations under these programs up to the applicable cap, the actual authorizations are often less than the cap amount. The savings is based on the average authorizations (FY 07-FY 09) of \$5,641,665 and the maximum savings based on the current statutory cap of \$6,000,000.

**Oversight** assumes that for all taxable years beginning on or after January 1, 2012, this act decreases the Youth Opportunities Tax Credit from a fifty percent credit for monetary contributions received to a credit equal to thirty-five percent of the monetary contributed amount. This tax credit has an annual cap of \$6 million. In FY 2010, \$4,406,277 tax credits were issued and \$4,405,158 were redeemed.

**Oversight** using the FY 10 amount of tax credits calculated the amount of potential savings that could have occurred if the new reduced 35% rate proposed in this legislation would have been in place in FY 10. At the new 35% rate only \$3,084,394 tax credits would have been issued and therefore the potential savings would have been \$1,321,883.

**Oversight** can not predict how taxpayers may react to the change in the amount they can claim and therefore can not predict whether there will be a reduction in the amount of the tax credits applications. Oversight assumes the proposed changes could result in a reduced amount of tax credits being issued in future fiscal years. Oversight will show a projected increase in net revenues as being Unknown over \$100,000.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under the program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

**Sections 135.484, 135.487 & 135.490 Neighborhood Preservation Tax Credit**

Officials at the **Department of Economic Development** assume this proposal lowers the cap on this credit from \$16 million to \$10 million.

ASSUMPTION (continued)

DED assume the potential positive fiscal impact from the Neighborhood Preservation tax credit programs sunset based on estimates of the range of potential positive fiscal impact, with the high end of the range represented by the applicable program cap and the low end represented by the average annual authorizations of tax credits under the applicable programs for fiscal years 2007 through 2009. This range reflects the fact although in any fiscal years there is the potential for tax credit authorizations under these programs up to the applicable cap, the actual authorizations are often less than the cap amount. The savings is based on the average authorizations (FY 07-FY 09) of \$14,126,322 and the maximum savings based on the current statutory cap of \$16,000,000.

**Oversight** assumes the reduction in the cap beginning on January 1, 2012 will increase state revenue by \$6 million starting in FY 2014.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2014. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2015.

**Section 135.550 Domestic Violence Shelter Tax Credit**

Officials at the **Budget and Planning** assume this proposal provides a sunset for this program. To the extent this proposal is not extended, general and total state revenues will increase, but associated economic activity may be lost.

Officials at the **Department of Social Services** assume that the degree of effort to process the tax credit applications is unchanged regardless of the fact that the amount of the credit has been reduced. The Department expects no impact from this proposal.

**Oversight** assumes that for all taxable years beginning on or after January 1, 2012, this act decreases the Domestic Violence Shelter Tax Credit from a fifty percent credit for contributions received to a credit equal to thirty-five percent of the contributed amount. This tax credit has an annual cap of \$2 million. In FY 2010, \$1,032,802 in tax credits were issued and \$789,750 were redeemed.

**Oversight** using the FY 10 amount of tax credits calculated the amount of potential savings that could have occurred if the new reduced 35% rate proposed in this legislation would have been in place in FY 10. At the new 35% rate only \$722,961 tax credits would have been issued and therefore the potential savings would have been \$309,841.

ASSUMPTION (continued)

**Oversight** can not predict how taxpayers may react to the change in the amount they can claim and therefore can not predict whether there will be a reduction in the amount of the tax credits applications. Oversight assumes the proposed changes could result in a reduced amount of tax credits being issued in future fiscal years. Oversight will show a projected increase in net revenues as being Unknown.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

**Section 135.562 Disabled Access Tax Credit**

Officials at the **Budget and Planning** assume this proposal provides a sunset for this program. To the extent this proposal is are not extended, general and total state revenues will increase, but associated economic activity may be lost.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

**Section 135.575 Missouri Healthcare Access Fund**

Officials at the **Budget and Planning** assume this proposal provides a sunset for this program. To the extent this proposal is are not extended, general and total state revenues will increase, but associated economic activity may be lost.

Officials at the **Department of Revenue** assume the need to make form and programming changes to various tax systems.

**Oversight** assumes that for all taxable years beginning on or after January 1, 2012, this act decreases the Missouri Healthcare Access Tax Credit from a fifty percent credit for contributions received to a credit equal to thirty-five percent of the contributed amount. This tax credit has not been implemented and therefore no tax credits have been issued.

**Oversight** assumes this tax credit was to sunset on August 28, 2013. This proposal extends the tax credit and therefore Oversight will show the loss to state revenue of the tax credits issued in FY 14. Oversight for the fiscal note is showing the amount of loss of revenue to the State as



ASSUMPTION (continued)

being \$0 to Unknown.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under this program after June 30, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

**Section 135.600 Maternity Home Tax Credit**

Officials at the **Budget and Planning** assume this proposal provides a sunset for this program. To the extent this proposal is not extended, general and total state revenues will increase, but associated economic activity may be lost.

Officials at the **Department of Social Services** assume that the degree of effort to process the tax credit applications is unchanged regardless of the fact that the amount of the credit has been reduced. The Department expects no impact from this proposal.

**Oversight** assumes that for all taxable years beginning on or after January 1, 2012, this act decreases the Maternity Home Tax Credit from a fifty percent credit for contributions received to a credit equal to thirty-five percent of the contributed amount. This tax credit has an annual cap of \$2 million. In FY 2010, \$1,021,293 in tax credits were issued and \$761,650 were redeemed.

**Oversight** using the FY 10 amount of tax credits calculated the amount of potential savings that could have occurred if the new reduced 35% rate proposed in this legislation would have been in place in FY 10. At the new 35% rate only \$714,905 tax credits would have been issued and therefore the potential savings would have been \$306,388.

**Oversight** can not predict how taxpayers may react to the change in the amount they can claim and therefore can not predict whether there will be a reduction in the amount of the tax credits applications. Oversight assumes the proposed changes could result in a reduced amount of tax credits being issued in future fiscal years. Oversight will show a projected increase in net revenues as being Unknown.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

ASSUMPTION (continued)

**Section 135.630 Pregnancy Resource Center Tax Credit**

Officials at the **Budget and Planning** assume this proposal provides a sunset for this program. To the extent this proposal is not extended, general and total state revenues will increase, but associated economic activity may be lost.

Officials at the **Department of Social Services** assume that the degree of effort to process the tax credit applications is unchanged regardless of the fact that the amount of the credit has been reduced. The Department expects no impact from this proposal.

**Oversight** assumes that for all taxable years beginning on or after January 1, 2012, this act decreases the Pregnancy Resource Center Tax Credit from a fifty percent credit for contributions received to a credit equal to thirty-five percent of the contributed amount. This tax credit has an annual cap of \$2 million. In FY 2010, \$1,624,130 in tax credits were issued and \$1,198,062 were redeemed.

**Oversight** using the FY 10 amount of tax credits calculated the amount of potential savings that could have occurred if the new reduced 35% rate proposed in this legislation would have been in place in FY 10. At the new 35% rate only \$1,136,891 tax credits would have been issued and therefore the potential savings would have been \$487,239.

**Oversight** can not predict how taxpayers may react to the change in the amount they can claim and therefore can not predict whether there will be a reduction in the amount of the tax credits applications. Oversight assumes the proposed changes could result in a reduced amount of tax credits being issued in future fiscal years. Oversight will show a projected increase in net revenues as being Unknown.

**Oversight** assumes this tax credit was to sunset on August 28, 2012. This proposal extends the tax credit and therefore Oversight will show the loss to state revenue of the tax credits issued in FY 13. Oversight for the fiscal note is showing the amount of loss of revenue to the State as being equal to the average amount issued in the last four years.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under this program after June 30, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

ASSUMPTION (continued)

**Section 135.647 Food Pantry Tax Credit**

Officials at the **Department of Revenue** assume the need to make programming changes to various tax systems as result of this proposal.

**Oversight** assumes that for all taxable years beginning on or after January 1, 2012, this act decreases the Food Pantry Tax Credit from a fifty percent credit for contributions received to a credit equal to thirty-five percent of the contributed amount. This tax credit has an annual cap of \$2 million. In FY 2010, \$793,734 in tax credits were issued and redeemed.

**Oversight** using the FY 10 amount of tax credits calculated the amount of potential savings that could have occurred if the new reduced 35% rate proposed in this legislation would have been in place in FY 10. At the new 35% rate only \$555,614 tax credits would have been issued and therefore the potential savings would have been \$238,120.

**Oversight** can not predict how taxpayers may react to the change in the amount they can claim and therefore can not predict whether there will be a reduction in the amount of the tax credits applications. Oversight assumes the proposed changes could result in a reduced amount of tax credits being issued in future fiscal years. Oversight will show a projected increase in net revenues as being Unknown.

**Oversight** assumes this tax credit was to sunset on August 28, 2011. This proposal extends the tax credit and therefore Oversight will show the loss to state revenue of the tax credits issued in FY 12, FY 13 and FY 14. Oversight for the fiscal note is showing the amount of loss of revenue to the State as being equal to the average amount issued over the last three years.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

**Section 135.679 Qualified Beef Tax Credit**

Officials at the **Department of Agriculture** assume that there is no fiscal impact from this proposal.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2014. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being

ASSUMPTION (continued)

collected in FY 2015.

**Section 135.825 Review of all tax credits being sunset**

Officials at the **Legislative Research** assume no additional cost.

**Oversight** assumes that the review of the tax credits would be handled as a part of the regular duties of the staff and can be handled with existing resources.

**Section 135.1150 Residential Treatment Tax Credit**

Officials at the **Department of Social Services** assume that the degree of effort to process the tax credit applications is unchanged regardless of the fact that the amount of the credit has been reduced. The Department expects no impact from this proposal.

**Oversight** assumes that for all taxable years beginning on or after January 1, 2012, this act decreases the Residential Treatment Tax Credit from a fifty percent credit for contributions received to a credit equal to thirty-five percent of the contributed amount. This tax credit has no annual cap. In FY 2010, \$402,669 in tax credits were issued and \$551,841 were redeemed.

**Oversight** using the FY 10 amount of tax credits calculated the amount of potential savings that could have occurred if the new reduced 35% rate proposed in this legislation would have been in place in FY 10. At the new 35% rate only \$281,868 tax credits would have been issued and therefore the potential savings would have been \$120,801.

**Oversight** can not predict how taxpayers may react to the change in the amount they can claim and therefore can not predict whether there will be a reduction in the amount of the tax credits applications. Oversight assumes the proposed changes could result in a reduced amount of tax credits being issued in future fiscal years. Oversight will show a projected increase in net revenues as being Unknown.

**Oversight** assumes this tax credit was to sunset on August 28, 2012. This proposal extends the tax credit and therefore Oversight will show the loss to state revenue of the tax credits issued in FY 13 and FY 14. Oversight for the fiscal note is showing the amount of loss of revenue to the State as being equal to the average amount issued over the last four years.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under this program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being

ASSUMPTION (continued)

collected in FY 2016.

**Section 137.1018 Repeal of the Rolling Stock Tax Credit**

**Oversight** assumes this proposal repeals the Rolling Stock Tax Credit. This tax credit did not have an annual cap and in the last three years has not had any credits issued or redeemed. Oversight assumes the repeal of this tax credit would not result in any savings or cost to the State.

**Sections 144.062 and 144.540 Sales Tax Exemption**

In response to similar legislation filed this year, SB 279, officials at the **Budget and Planning (BAP)** assume the sales tax incentives allow DED to provide any qualified company with state sales tax exemptions and Local governments may provide similar incentives. These provisions will not impact current general and total state revenues, but may result in forgone revenue in the future. This program may encourage other economic activity, but BAP does not have data to estimate the induced revenues.

Officials at the **Department of Economic Development (DED)** assume this proposal authorizes an exemption of up to 100% of state and/or local sales and use taxes on tangible personal property for a qualified company that creates at least twenty new jobs with new payroll of at least 90% of county average wage or if the qualified company retains at least 150 existing jobs and invests at least \$15 million if the project facility base payroll equals or exceeds 90% of county average wage. The proposal also authorizes, for a period of five years, an exemption of up to 100% of state and/or local sales and use taxes for the incremental increase in utilities used by an information technology company that creates at least twenty new jobs with new payroll of at least 90% county average wage. The amount of any sales tax exemption is limited to the net fiscal benefit to the state.

Officials at the **Department of Revenue (DOR)** assume DED and DOR will jointly prescribe such rules and regulations necessary to carry out the provisions of this section.

**Oversight** will indicate an unknown loss of revenue for the state General Revenue Fund, an unknown loss of revenue for those other state funds which receive sales tax revenues, and an unknown loss of revenue for local governments from the sales tax exemption.

ASSUMPTION (continued)

**Section 147.010 Franchise Tax**

In response to similar legislation filed this year, SB 19, the following responded:

Officials from the **Department of Revenue (DOR)** assume this proposal would change the corporate franchise and bank franchise tax rates and would eventually phase out the tax, which would create a negative impact to total state revenue.

Between January 1, 2010 and January 1, 2012, the annual franchise tax would be 1/30th of one percent of the taxable entity's outstanding shares and surplus, if they exceed \$10.0 million. For 2012 the rate would be 1/37th of one percent, for 2013 the rate would be 1/50th of one percent, for 2014 the rate would be 1/75nd of one percent, for 2015 the rate would be 1/150th of one percent, and for tax years beginning on or after January 01, 2016, no franchise tax would be imposed.

Assets levels reported for corporate franchise tax filers that have assets greater than \$10 million have increased at a rate of 6.23% per year since 2002. The following table reflects the anticipated reduction in corporation franchise tax, if asset levels continue to increase as the tax is phased out.

Corporate Franchise

Year	Assets	Rate	Tax	Reduction in tax
2009	\$249,077,742,304	0.000333	\$82,942,888	\$0
2012	\$298,590,829,277	0.000266	\$79,425,161	\$3,517,728
2013	\$317,193,037,941	0.000200	\$63,438,608	\$19,504,281
2014	\$336,954,164,205	0.000133	\$44,814,904	\$38,127,984
2015	\$357,946,408,635	0.000067	\$23,982,409	\$58,960,479
2016	NA	0.000000	\$0	\$82,942,888

Bank Franchise

Fiscal year 2010 bank franchise tax collections were \$5.7 million. A reduction similar to the corporate franchise tax would also result to bank franchise tax collections.

DOR officials also provided actual total franchise tax collections of \$87.5 million for the year

ASSUMPTION (continued)

ended June 30, 2010.

DOR officials stated that the Department and the **Office of Administration, Information Technology Services Division** (ITSD-DOR) would need to make programming changes to the corporation income tax processing systems (COINS and CAFÉ), Corp E-file System and the Financial Institutions Tax System. DOR officials estimated the IT portion of the fiscal impact at \$26,712, based on 1,008 FTE hours.

Officials from the **University of Missouri, Economic and Policy Analysis Research Center** (EPARC) assume that if enacted, this legislation would gradually phase-out the corporate franchise tax over a five year period.

For the tax year 2011, the rate would remain at one-thirtieth of one percent and the threshold amount would remain at \$10 million dollars. For 2012, the rate would be reduced to one thirty-seventh of one percent. For the tax year 2013, the rate would be reduced to one fiftieth of one percent. For the tax year 2014, the rate would be reduced to one seventy-fifth of one percent. For the tax year 2015, the rate would decrease to one hundred-fiftieth of one percent. Effective January 1, 2016, no corporate franchise tax would be imposed.

The following estimates were generated using corporate tax data from 2008. The table reports the potential total franchise tax for corporations with assets greater than \$10 million in Missouri for the years 2011 through 2016 if this proposal was implemented.

Year	Franchise Tax Rate	Franchise Tax Due	Reduction in Franchise Tax
2011	1/30 of 1%	\$76,703,328	\$0
2012	1/37 of 1%	\$62,191,888	\$14,511,440
2013	1/50 of 1%	\$46,021,997	\$30,681,331
2014	1/75 of 1%	\$30,681,331	\$46,021,997
2015	1/150 of 1%	\$15,340,665	\$61,362,663
2016	None	\$0	\$76,703,328

**Oversight** notes that corporate franchise tax collections vary from year to year; however, based

ASSUMPTION (continued)

on 2010 collections, Oversight assumes an estimate of the revenue reduction for this proposal can be calculated as shown in the following chart.

Year	Franchise Tax Rate	Franchise Tax Due	Reduction in Franchise Tax
2011	1/30 of 1%	\$87,500,000	\$0
2012	1/37 of 1%	\$70,945,946	\$16,554,054
2013	1/50 of 1%	\$52,500,000	\$35,000,000
2014	1/75 of 1%	\$35,000,000	\$52,500,000
2015	1/150 of 1%	\$17,500,000	\$70,000,000
2016	None	\$0	\$87,500,000

Amendment 2

These provisions would limit a corporation's annual franchise tax liability for all years beginning on or after January 1, 2011 to the amount of the corporation's franchise tax liability for the year ended December 31, 2010. If the corporation was not in existence in 2010, that corporation's franchise tax liability could not exceed its franchise tax liability for its first full year of business in Missouri.

In response to similar provisions in SCS for SB 18, LR 0285-04, officials from the **Office of Administration, Division of Budget and Planning** (BAP) assumed these provisions would not result in additional costs or savings to their organization.

The provisions would cap the maximum corporate franchise payment per corporation at the level the corporation paid in tax year 2010. The proposal would reduce general and total state revenues; however, BAP deferred to the Department of Revenue for an estimate of reduced revenues.

Officials from the **University of Missouri, Economic Policy Analysis and Research Center** (EPARC) assumed that similar provisions in SCS for SB 18, LR 0285-04 would cap annual corporate franchise tax at the amount paid in the 2010 tax year for existing corporations, and cap franchise taxes for new corporations at the corporation's first year amount. EPARC officials estimated the fiscal impact of the proposal as follows.



ASSUMPTION (continued)

Using the latest data available for Missouri corporations (2008), we estimate that in 2010 total franchise tax due would be \$76,703,327.94. If this proposal was enacted, we would not see an increase for 2011 in franchise tax due for existing corporations, and there would be no impact on Net General Revenue due to this proposal.

Regarding new corporations, the impact would depend on the number and the tax base associated with each new corporation. Both would involve forecasts. It should be noted that the forecast for the tax base of new corporations is shifted to zero. For new corporations in Missouri after 2010, there would be an incentive to legally report no tax base. Since their future tax liabilities are limited to the first year's franchise tax amount, entrants into the Missouri market could incorporate, report zero assets in the state for the first year, and pay no franchise tax for that first year of incorporation. In all years after the first tax reporting period, their tax liability would also be zero.

Officials from the **Department of Revenue** (DOR) assume these provisions would limit the amount of franchise tax owed by corporations and would result in a reduction in Total State Revenue.

- \* For years ending before December 31, 2010, the annual franchise tax would be one thirtieth of one percent of the corporation's outstanding shares and surplus if the outstanding shares and surplus exceed \$10.0 million. Beginning January 1, 2011, the franchise tax would be equal to one thirtieth of one percent of the corporation's outstanding shares and surplus, but a corporation's franchise tax liability could not exceed the liability of such corporation for the taxable year ending on or before December 31, 2010.
- \* If the corporation had no franchise tax liability for the taxable year ending on or before December 31, 2010 because such corporation was not in existence or doing business in Missouri, the franchise tax for the first taxable year in which such corporation exists would be equal to one thirtieth of one percent of the corporation's outstanding shares and surplus if the outstanding shares and surplus exceed ten million dollars, but in no case could the tax liability for any subsequent year exceed the amount of tax for the first full taxable year such corporation was in existence or doing business in Missouri.

DOR would need to make form changes, and DOR and ITSD-DOR would need to make programming changes to various tax systems.

DOR provided the following estimate of the fiscal impact to the General Revenue fund.

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ASSUMPTION (continued)

For the years 2002 through 2009, there was an average annual franchise tax increase of 6.23 percent. This increase was calculated on corporations that had in excess of \$10 million in assets and as if all franchise taxes were paid at a rate of one thirtieth of one percent. If future franchise tax due is limited to the tax owed in the corporation's calendar year 2010 franchise tax return, the estimated negative impact would be \$5.4 million in 2011, \$11.3 million in 2012, \$17.5 million in 2013, \$24 million in 2014, and \$31 million in 2015.

DOR officials also provided total franchise tax collections of \$87.5 million for the year ended June 30, 2010.

DOR officials assume that one FTE Revenue Processing Technician I (Range 10, Step L) would be required for every 7,800 errors generated and one FTE Revenue Processing Technician I (Range 10, Step L) would be required for every 2,600 pieces of correspondence generated.

In summary, DOR officials provided an estimate of the administrative cost to implement these provisions including two additional FTE and the related equipment and expense, of \$83,623 for FY 2012, \$81,203 for FY 2013, and \$82,061 for FY 2014.

**Oversight** assumes that implementation of these provisions would be primarily limited to forms changes and IT processing edits, and that any additional personnel costs could be absorbed with existing resources. If unanticipated additional costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

DOR officials also provided an estimate of the IT cost to implement the provisions of \$40,068 based on 1,512 FTE hours of programming time.

**Oversight** notes that franchise tax collections fluctuate from year to year, and assumes that this proposal could result in a reduction of revenues in the future if the DOR estimate of future taxable capital and surplus is realized. For fiscal note purposes only, Oversight will indicate an unknown revenue reduction for the General Revenue Fund for that foregone potential future revenue.

**Oversight** assumes that these provisions would have a fiscal impact on the General Revenue Fund beginning in FY 2012, since corporations with tax years beginning in January, 2011 would file tax returns in FY 2012 for those tax years.

ASSUMPTION (continued)

**Section 208.770 Family Development Account Tax Credit**

Officials at the **Budget and Planning** assume this proposal provides a sunset for this program. To the extent this proposal is not extended, general and total state revenues will increase, but associated economic activity may be lost.

Officials at the **Department of Economic Development** assume the potential positive fiscal impact from the Family Development Account tax credit programs sunset is based on estimates of the range of potential positive fiscal impact, with the high end of the range represented by the applicable program cap and the low end represented by the average annual authorizations of tax credits under the applicable programs for fiscal years 2007 through 2009. This range reflects the fact although in any fiscal years there is the potential for tax credit authorizations under these programs up to the applicable cap, the actual authorizations are often less than the cap amount. The savings is based on the average authorizations (FY 07-FY 09) of \$99,995 and the maximum savings based on the current statutory cap of \$300,000.

**Oversight** assumes that for all taxable years beginning on or after January 1, 2012, this act decreases the Family Development Account Tax Credit from a fifty percent credit for contributions received to a credit equal to thirty-five percent of the contributed amount. This tax credit has an annual cap of \$300,000. In FY 2010, \$25,000 in tax credits were issued and \$3,000 were redeemed.

**Oversight** using the FY 10 amount of tax credits calculated the amount of potential savings that could have occurred if the new reduced 35% rate proposed in this legislation would have been in place in FY 10. At the new 35% rate only \$17,500 tax credits would have been issued and therefore the potential savings would have been \$7,500.

**Oversight** can not predict how taxpayers may react to the change in the amount they can claim and therefore can not predict whether there will be a reduction in the amount of the tax credits applications. Oversight assumes the proposed changes could result in a reduced amount of tax credits being issued in future fiscal years. Oversight will show a projected increase in net revenues as being Unknown.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under this program after June 30, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

ASSUMPTION (continued)

**Section 253.550, 253.557 & 253.559 Historic Preservation Tax Credit**

In response to the previous version of this legislation, officials at the **Budget and Planning** assume this proposal creates a reduced cap of \$75M for the Historic Tax Credit program. Based on prior redemption patterns, and because the program has a carry forward provision, BAP estimates this proposal will increase general and total state revenues \$1.5M in FY12, \$6.5M in FY13, and \$16.3M in FY14. BAP cannot estimate the potential savings.

Officials at the **Department of Economic Development** assume this potential positive fiscal impact would increase by a maximum of \$65 million when the reduced cap for the Historic Preservation Program under this proposal is fully phased-in. The savings is based on the average authorizations (FY 07-FY 09) of \$170,114,756 and the maximum savings based on the current statutory cap of \$140,000,000 in FY 2011.

Officials at the **Department of Natural Resources** assume the State Historic Preservation Office is responsible for reviewing and approving rehabilitation work for the state credits. Any changes in the tax credit structure may have an impact on the number or rehabilitation projects the State Historic Preservation Office reviews and approves. The department would not anticipate a significant direct fiscal impact as a result of the changes made to the State Historic Preservation Tax Credit.

**Oversight** assumes this proposal beginning in FY 2012, prohibit the issuing of more than seventy-five million dollars in historic preservation tax credits. Oversight will show the increase in net revenues of \$65 million per fiscal year.

**Oversight** assumes this proposal prohibits the stacking of historic preservation tax credits with neighborhood preservation tax credits or low-income housing tax credits. Therefore, Oversight assumes the proposed changes could result in a reduced amount of tax credits being issued in future fiscal years, FY 2012 - FY 2016. Oversight will show a projected increase in net revenues as being Unknown.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under these programs after August 28, 2015. Oversight assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

ASSUMPTION (continued)

**Sections 348.430 & 348.432 Agricultural Products Utilization and New Generation Cooperative Tax Credits**

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under these programs after August 28, 2014:

Agricultural Product Utilization Contributor - section 348.430

New Generation Cooperative Incentive - section 348.432

Officials at the **Department of Agriculture** assume that there is no fiscal impact from this proposal.

**Oversight** assumes that these programs each have a \$6 million annual cap. In FY 2010, these programs issued tax credits totaling \$3,871,123 and \$3,402,556 of those credits were redeemed. Oversight assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2015.

**Sections 348.500 & 348.505 Family Farm Breeding Livestock**

Officials at the **Department of Revenue** assume the need to make form changes and programming changes to various tax systems

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under these programs after August 28, 2014. Oversight assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2015.

**Section 447.708 Brownfield Redevelopment Remediation/Jobs & Investment Tax Credit**

Officials at the **Budget and Planning** assume this act prohibits authorizations of the Brownfield Remediation/Jobs & Investment Credits after June 30, 2011.

Officials at the **Department of Economic Development** assume a cap is imposed of \$25 million and allows recapture if after six years the project has no resulted in positive economic impact. This proposal also sunsets the Brownfield Remediation/Jobs & Investment tax credits. Additionally it reduces eligible costs for professional engineering, consulting and architecture to 25% of the cost for the Brownfield Remediation tax credit. Provides clawback if the projected jobs are not created or retained. The savings based on the average authorizations (FY 07 -FY 09) is \$22,348,784. The maximum savings based on current statutory cap is Unknown as the programs are uncapped.

ASSUMPTION (continued)

Officials at the **Department of Natural Resources** assume that there is no fiscal impact from this proposal.

**Oversight** assumes this proposal stops the issuance of this tax credits on June 30, 2011. This program does not have an annual cap. In FY 2010, the Remediation tax credit issued \$13,978,902 in credits and \$17,590,273 were redeemed. In FY 2010, the Jobs & Investment credits had \$1,903,904 were issued and \$1,650,222 were redeemed. Oversight for the fiscal note is showing the amount of increased revenue to the State as being equal to the average amount issued over the last five years.

**Sections 620.800, 620.803; 620.806; 620.809 Compete Missouri Training Program**

In response to similar legislation filed this year, SB 279, the following responded:

Officials at the **Budget and Planning (BAP)** assume the proposed legislation should not result in additional costs or savings to BAP. This proposal establishes the Compete Missouri Training Program which essentially combines and streamlines three programs already in existence: the Customized Training Program, the Community College New Jobs Training Program (NJTP), and the Community College Retained Jobs Training Program (RJTP). While these provisions have no direct impact to general revenue or total state revenue, a couple of provisions in the proposal have budget implications.

The proposal reduces the length of time (from two years to one year) that jobs must be maintained at the project facility for the calendar year preceding the year in which the application for either NJTP or RJTP is made. This change may have implications for the number of employers who are eligible for and take part in the Compete Missouri Program.

The current authorization for the Community College New Jobs Training Program is \$55 million. The current authorization for the Community College Jobs Retention Training Program is \$45 million. If this proposal passes as is, the current caps would be re-authorized in statute. The proposal allows the Compete Missouri Job Training Joint Legislative Oversight Committee to raise the current caps; the committee has the same power in current statute.

Officials at the **Department of Economic Development** assume the Compete Missouri Training program would consolidate the three existing job training assistance programs administered by the Division of Workforce Development and would result in no fiscal impact on the department.

Officials at the **Department of Revenue** assume DOR will need to make form changes as a

ASSUMPTION (continued)

result of this proposal.

In response to similar legislation filed this year, SB 279, officials at the **Metropolitan Community College** assume a negative impact from this proposal.

In response to similar legislation filed this year, SB 279, officials at the **Linn State Technical College** and the **St. Louis Community College** assume that there is no fiscal impact from this proposal.

**Oversight** assumes this proposal creates a new jobs credit and a retained jobs credit that allow a credit from withholding taxes. This proposal creates the following funds:

Compete Missouri Job Development Fund which shall receive money from the general assembly. Oversight assumes that no funding mechanism was outlined in the proposal for this fund so Oversight is showing the funding as coming from general revenue. Oversight assumes that all money received by this fund will be distributed per this proposal.

Compete Missouri Community College New Jobs Training Fund which shall receive money from the new jobs credits, gifts, and other sources. Oversight assumes that all money received by this fund will be distributed to per this proposal.

Compete Missouri Community College Job Retention Training Fund which shall receive money from the retained jobs credits, gifts, and other sources. **Oversight** assumes that all money received by this fund will be distributed to community colleges per this proposal

**Sections 620.2000, 620.2005, 620.2010, 620.2020 Compete Missouri Program**

In response to similar legislation filed this year, SB 279, the following responded:

Officials at the **Budget and Planning (BAP)** assume the proposed legislation should not result in additional costs or savings to BAP. This creates the Compete Missouri Program which provides incentives to companies to create new jobs. BAP assumes the incentives include qualifying companies that meet job creation and wage requirements will be able to retain a portion of the withholding taxes generated by the new jobs. These companies may receive both entitlement and discretionary tax credits in addition to the withholding incentives. The amount of credits issued shall not exceed the projected net benefit to the state. In lieu of these benefits a qualifying company may elect to solely receive tax credits based on projected new jobs created. Limits on this specific proposal are \$15M in FY 2012, \$30M in 2013, \$45M in 2014 and \$60M

ASSUMPTION (continued)

in 2015.

The maximum amount of tax credits that may be authorized under this program for any fiscal year shall be \$111M in FY 2012, \$126M in 2013 and \$141M in 2014 and forward. Previous obligations under the BFC, BUILD, Development, Rebuilding Communities, EEZ, or MQJ programs will count against these limits. No further obligations will occur under these programs as of August 28, 2011.

To the extent that participation in the Compete Missouri program otherwise exceeds participation in the terminated programs, general and total state revenues may be reduced. Tax credits issued as refundable that otherwise would not have been under the existing programs will reduce general and total state revenues in earlier years. This proposal may encourage other economic activity. BAP cannot estimate the induced revenues.

**Oversight** assumes the changes to existing programs in this proposal would have a positive impact on the state. However, Oversight considers this to be indirect impact of the proposals and will not reflect them in the fiscal note.

Officials at the **Department of Economic Development (DED)** assume this proposed legislation creates the Compete Missouri Business Incentive program would operate in a similar fashion to the current Missouri Quality Jobs program by providing performance-based benefits in the form of retained withholding taxes and tax credits to qualified companies that create new jobs. The proposal also authorizes the award of additional discretionary tax credits to qualified companies that create jobs and investment that provide a net fiscal benefit to the state, similar to the existing BUILD and EEZ programs. The proposal also allows for the option of up-front financing through the award of a reduced amount of refundable tax credits for projects that create a net fiscal benefit to the state.

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

<b>Qualified Companies</b>	<b>Minimum Eligibility</b>	<b>Performance Based</b>	<b>Max. Additional Discretionary</b>	<b>Maximum Possible</b>
Enhanced Enterprise Zones	o2 new jobs o80% county average wage	Retention of withholding taxes of new employees	\$0	\$0



Targeted Industry	<ul style="list-style-type: none"> <li>o 10 new jobs</li> <li>o 90% county average wage</li> </ul>	<ul style="list-style-type: none"> <li>o Retention of withholding taxes of new employees</li> <li>o 3% Tax Credit</li> </ul>	Up to 6% Tax Credit	Up to 12%.
Non-Targeted Industry	<ul style="list-style-type: none"> <li>o 20 new jobs</li> <li>o 90% county average wage</li> </ul>	<ul style="list-style-type: none"> <li>o Retention of withholding taxes of new employees</li> <li>o 2% Tax Credit</li> </ul>	Up to 4% Tax Credit	Up to 9%

In creating the Compete Missouri Program, the proposal phases-out the six current business incentive tax credit programs, which include: Missouri Quality Jobs (620.1875), Enhanced Enterprise Zone (135.950), Business Use Incentives for Large-Scale Development or BUILD (100.700), Development Tax Credit (32.100), Rebuilding Communities Tax Credit (135.535), and Business Facilities Tax Credit (135.100). Projects previously offered benefits under these programs may continue to receive such benefits, but no new awards may be made under these programs. The proposal does not affect the designation of new enterprise zones and the accompanying local property tax abatement available under the Enhanced Enterprise Zone program.

The aggregate cap on tax credits for the programs being phased out under this proposal totals at least \$144 million annually (not all of the programs being phased out are currently capped). The proposed program imposes a hard cap on tax credits that reaches \$141 million when fully phased-in. However, recognizing the outstanding obligations under the current programs being phased out, the proposal reduces the annual statutory caps by the amount of the existing tax credit obligations under the current programs. DED assumes that this would result in an effective annual tax credit cap significantly lower than the annual statutory cap on tax credits until such time as the existing obligations under the current programs have been completed. DED assumes that the existing obligations that would reduce the annual statutory cap would include (1) tax credits that have been offered to companies under the current programs but not yet accepted; (2) tax credits that have been offered to companies under the current programs and accepted but not yet authorized; and (3) tax credits that have been authorized and/or issued under the current programs but not yet redeemed. DED assumes that obligations of tax credits in any of these three categories that are ultimately not utilized (e.g. the company does not accept the offer, the company accepts the offer but never creates the necessary jobs for the tax credits to be issued, etc.), could be utilized for proposals for benefits under this new program, although in no event could awards exceed the hard statutory cap. As under the existing Missouri Quality Jobs program, retained withholding benefits would not be subject to the annual tax credit cap under this proposal.

ASSUMPTION (continued)

The chart below reflects the statutory maximum annual statutory tax credit cap under the proposal, the amount obligated as of February 18, 2011 under the current programs being phased out under this proposal, and the effective annual amount of tax credits that may be authorized for the specific fiscal year under the proposed program.

Fiscal Year	Maximum Annual Tax Credit Cap	Obligated under Current Programs	Effective Annual Tax Credit Cap
FY 12	\$111,000,000	\$76,600,251	\$34,399,749
FY 13	\$126,000,000	\$77,415,286	\$48,584,714
FY 14	\$141,000,000	\$66,560,634	\$74,439,366

It is unknown how many qualified companies would seek and be eligible for benefits under this program. With respect to the performance-based retained withholding and tax credit benefits under this proposal, DED estimates an unknown positive fiscal impact of greater than \$100,000 because, based on past performance under the existing Missouri Quality Jobs program, projects awarded such benefits are reasonably anticipated to provide an overall net fiscal benefit to the state, even if not every individual project would have a net fiscal benefit to the state. Similarly, DED estimates a positive fiscal impact of greater than \$100,000 for any discretionary tax credits awarded under this proposal because the award of any such tax credits is restricted to projects having a net fiscal benefit to the state.

The maximum amount of refundable tax credits that may be awarded as up-front financing each fiscal year are as follows: FY12 - \$15 million, FY13 - \$30 million, FY14 - \$45 million, FY15 - \$60 million. As with the other discretionary tax credits available under this program, DED may only award refundable tax credits in advance of the requisite job creation when the project will have a net fiscal benefit to the state. Therefore, DED assumes that while there could be a short term negative fiscal impact from the transition to limited up-front financing, there will be an unknown positive fiscal impact in excess of \$100,000 upon creation of the requisite jobs and capital investment.

Officials at the **Missouri Development Finance Board (MDFB)** assume the fiscal impact is unknown. For BUILD, the annual cap is \$25 million. Project authorizations are spread out over 15 years. Actual credit issuances for FY 08, 09 and 2010 are \$7.5m, \$5.6m, and \$9.7m. There are currently 32 previously approved businesses (and 6 pending approval) that will receive

ASSUMPTION (continued)

benefits through 6/30/2029. Total credits authorized and to be issued over the next fifteen years is estimated at \$111 million. Authorizations of BUILD in FY 08, 09, and 10 have been \$7.5m, \$8.2m and \$9.5m. This has resulted in an incremental increase of \$.5m, \$.540m and \$.630m over the next 15 years. MDFB estimates a Fiscal Impact for the BUILD program at -0- as all previously approved projects will continue to collect credits as long as they uphold their contractual obligations.

Officials at the **Department of Revenue (DOR)** assume they will need to make form changes and DOR-ITSD will need to make programming changes to various tax systems. The programming changes to the various systems are to capture the “retained” withholdings separately.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. The department has no means to arrive at a reasonable estimate of loss in premium tax revenue as a result of tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

DIFP will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

**Oversight** assumes it is unclear how many companies will qualify for the sales tax exemption or withholding tax so Oversight will show in the fiscal note the cost to the General Revenue Fund as \$0 to Unknown. Since the tax credits are capped each fiscal year and the number of unobligated credits is known, Oversight will show the loss of the tax credit revenue to the General Revenue Fund as \$0 to the unobligated amount.

Officials at the **City of Kansas City, City of Raytown, Department of Higher Education, Department of Labor and Industrial Relations, Missouri Department of Transportation, Missouri Senate, Office of the Governor** and the **Office of the State Treasurer** assume that

ASSUMPTION (continued)

there is no fiscal impact from this proposal.

**Section 660.055 Shared Care Tax Credit**

Officials at the **Department of Health and Senior Services** assume in FY 2010, there were 246 claimants who redeemed \$106,068 from this tax credit.

**Oversight** assumes the Shared Care Tax Credit does not have an annual cap or a program cap. In FY 2010, this program issued tax credits totaling \$168,500 and \$106,086 of those credits were redeemed. This proposal would prohibit the issuance of any further tax credits under this program after August 28, 2015. **Oversight** assumes any income to the state from tax credits not issued and the taxes being collected is outside the fiscal note period. Taxes will start being collected in FY 2016.

**Sections 135.313, 135.700, 143.119 Repealed Tax Credits**

Officials at the **Department of Revenue** state that in FY 2010 \$1,517,004 in health insurance credits were issued. This credit is being eliminated.

Officials at the **Department of Natural Resources** assume that there is no fiscal impact from this proposal.

Officials at the **Department of Economic Development** assume an unknown positive fiscal impact over \$100,000 as a result of the proposed legislation. The Department anticipates a positive fiscal impact as a result of the sunset or repeal of the specified programs. However, the exact amount of the positive impact is unknown due to the uncertainty as to the amount of tax credits that would otherwise be authorized and subsequently redeemed under the sunsetted/eliminated programs in any subsequent fiscal year.

The potential positive fiscal impact as a result of the repealed programs is shown below based on estimates of the range of potential positive fiscal impact, with the high end of the range represented by the applicable program cap and the low end represented by the average annual authorizations of tax credits under the applicable programs for fiscal years 2007 through 2009. This range reflects the fact although in any fiscal years there is the potential for tax credit authorizations under these programs up to the applicable cap, the actual authorizations are often less than the cap amount.

**Oversight** assumes that several of these programs have annual or program caps. The caps on these programs is greater than \$10,300,000. In FY 2010, these programs issued tax credits

ASSUMPTION (continued)

totaling \$8,994,630 and \$13,123,098 of those credits were redeemed. This proposal will repeal the following tax credit programs:

- Wine and Grape - Section 135.700
- Charcoal Producer - Section 135.313
- Self-Employed Health Insurance - Section 143.119
- Job Retention Training- Section 178.760
- Community College New Jobs - section 178.892
- Family Farm Breeding Livestock Loan Program -section 348.500

**Oversight** assumes any income to the state from the tax credits not issued and the taxes being collected will start in September of 2011. However, since it is possible for the agency to issue all of the tax credits before this proposal prohibits any more being issued, Oversight will only show the savings beginning FY 2013. Oversight for the fiscal note is showing the amount of increased revenue to the State as being equal to the average amount issued over the last five years for each tax credit.

**Section 620.495 Small Business Incubator Tax Credit Repealed**

Officials at the **Budget and Planning** assume the Small Business Incubator Credit. Based on prior redemption patterns, and because the program has a carry forward provision, BAP estimates this proposal will increase general and total state revenues \$0 in FY12, \$.07M in FY13, \$0.25M in FY14, and \$0.5M annually thereafter.

Officials at the **Department of Economic Development** assume the potential positive fiscal impact from the Small Business Incubator tax credit program sunset is based on estimates of the range of potential positive fiscal impact, with the high end of the range represented by the applicable program cap and the low end represented by the average annual authorizations of tax credits under the applicable programs for fiscal years 2007 through 2009. This range reflects the fact although in any fiscal years there is the potential for tax credit authorizations under these programs up to the applicable cap, the actual authorizations are often less than the cap amount. The savings is based on the average authorizations (FY 07-FY 09) of \$500,000 and the maximum savings based on the current statutory cap of \$500,000.

**Oversight** assumes this proposal prohibits the issuance of any tax credits under this proposal after the effective date of this proposal. Oversight assumes this credit will cease on June 30, 2011 and therefore is showing the increase to net revenues as of July 1, 2012. Oversight for the fiscal note is showing the amount of increased revenue to the State as being equal to the average amount issued over the last five years for each tax credit.

ASSUMPTION (continued)

**Transfer Language**

**Oversight** assumes that several of the tax credits had language added that would allow the tax credits to be transferred, sold or assigned. However, by taking that action the value of the credit is reduced by ten percent of the value. Oversight assumes this would result in a savings to the state. Oversight is showing that savings as unknown as it is unclear how many credits may be transferred or sold.

**Bill As A Whole**

Officials at the **Department of Revenue** assume their response to a proposal similar to or identical to this one in a previous session indicated the department planned to absorb the administrative costs to implement the proposal. Due to budget constraints, reduction of staff and the limitations within the department's tax systems, changes cannot be made without significant impact to the department's resources and budget. Therefore, the IT portion of the fiscal impact is estimated with a level of effort valued at \$155,820, which is 5,880FTE hours.

Officials at the **Budget and Planning (BAP)** assume other economic activity may be reduced as a result of this proposal. BAP cannot estimate the loss of any revenues associated with this reduction.

**Oversight** assumes the many changes to existing programs in this proposal would have a positive impact on the state. However, Oversight considers this to be indirect impact of the proposals and will not reflect them in the fiscal note.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state the following regarding the sun setting of tax credits.

It is unknown how many tax credits will be redeemed each year beginning FY 2014, therefore any increase in Premium Tax revenue due to a tax credit being sunset is unknown. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located.

Officials at the **Joint Committee on Administrative Rules** assume that there is no fiscal impact from this proposal.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**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.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
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**GENERAL REVENUE**

Revenue - stopping of the tax credits and collection of the taxes owed

Affordable Housing	Unknown over \$100,000	Unknown over \$100,000	Unknown over \$100,000
Distressed Land Assemblage Development	\$0	\$20,000,000 Unknown over \$100,000	\$15,000,000 Unknown over \$100,000
Infrastructure -35%	\$0	Unknown over \$100,000	Unknown over \$100,000
Property Tax Credit -rent limits	\$57,000,000	\$57,000,000	\$57,000,000
Special Needs/CIC - 35%	\$0	Unknown	Unknown
Special Needs/CIC- adoption limits	\$0	Unknown	Unknown
Low-Income Housing -cap change	\$0	Unknown	Unknown
Youth Opportunities - 35%	\$0	Unknown over \$100,000	Unknown over \$100,000
Neighborhood Preservation -cap change	\$0	\$0	\$6,000,000
Domestic Violence -35%	\$0	Unknown	Unknown
Maternity Home -35%	\$0	Unknown	Unknown

Pregnancy Resource Center- 35%	\$0	Unknown	Unknown
Food Pantry - 35%	\$0	Unknown	Unknown
Residential Treatment Agency- 35%	\$0	Unknown	Unknown
Rolling Stock - repeal	\$0	\$0	\$0
Family Development Account -35%	\$0	Unknown	Unknown
Historic Preservation -cap change	\$65,000,000	\$65,000,000	\$65,000,000
Brownfield Jobs & Investment	\$1,844,203	\$1,844,203	\$1,844,203
Brownfield Remediation	\$20,739,465	\$20,739,465	\$20,739,465
Shared Care -repeal	\$0	\$0	\$0
Wine and Grape -repeal	\$0	\$157,579	\$157,579
Charcoal Producer -repeal	\$0	\$345,501	\$345,501
Self-Employed Health Insurance-repeal	\$0	\$1,428,578	\$1,428,578
Job Retention Training -repeal	\$0	\$8,069,900	\$8,069,900
Community College New Job - repeal	\$0	\$4,575,313	\$4,575,313
Family Farm -repeal	\$0	\$117,732	\$117,732
Small Business Incubator -repeal	\$288,584	\$288,584	\$288,584
Prohibition of Stacking of Credits	Unknown	Unknown	Unknown
Transfer of credits	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<u>Total Revenue</u>	Unknown	Unknown	Unknown
	greater than	greater than	greater than
	\$144,972,252	\$179,966,855	\$180,966,855
<u>Cost - the extension of existing sunsets</u>			
Surviving Spouse -sunset	\$0	\$0	(\$22,636)
Special Needs/CIC - sunset	\$0	(\$2,780,552)	(\$2,780,552)
Mo Healthcare Access Fund- sunset	\$0	\$0 to	\$0 to
		(Unknown)	(Unknown)
Pregnancy Resource Center - sunset	\$0	(\$1,177,827)	(\$1,177,827)
Food Pantry - sunset	(\$499,085)	(\$499,085)	(\$499,085)
Residential Treatment Agency-sunset	<u>\$0</u>	<u>(\$410,239)</u>	<u>(\$410,239)</u>
<u>Total Costs</u>	(\$499,085)	(Unknown	(Unknown
		greater than	greater than
		\$4,867,703)	\$4,890,339)
<u>Transfer Out - Compete Missouri Job Development Fund</u>	\$0 to	\$0 to	\$0 to
	(Unknown)	(Unknown)	(Unknown)
<u>Loss - sales tax exemption (144.062-144.540)</u>	\$0 to	\$0 to	\$0 to
	(Unknown)	(Unknown)	(Unknown)



<u>Loss</u> - withholding tax (620.2000)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Loss</u> - tax credits (620.2000)	\$0 to (\$34,399,749)	\$0 to (\$48,584,714)	\$0 to (\$74,439,366)
<u>Cost</u> - DOR Computer programming and form changes	(\$155,820)	\$0	\$0
<u>Revenue reduction</u> - franchise tax phase- out (147.010)	\$0	(\$16,554,054)	(\$35,000,000)
<u>Reduction in future revenue</u> - limitation on franchise tax increases (147.010)	\$0	(Unknown)	(Unknown)

**ESTIMATED NET EFFECT ON  
GENERAL REVENUE**

<u>Unknown</u> <u>greater than</u> <u>\$144,972,252 to</u> <u>(Unknown</u> <u>greater than</u> <u>\$35,054,654)</u>	<u>Unknown</u> <u>greater than</u> <u>\$179,966,855 to</u> <u>(Unknown</u> <u>greater than</u> <u>\$70,006,471)</u>	<u>Unknown</u> <u>greater than</u> <u>\$180,966,855 to</u> <u>(Unknown</u> <u>greater than</u> <u>\$114,329,705)</u>
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**PARK AND SOIL FUND**

<u>Loss</u> - sales tax exemption (144.062- 144.540)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
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**ESTIMATED NET EFFECT ON  
PARK AND SOIL FUND**

<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>
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**CONSERVATION FUND**

<u>Loss</u> - sales tax exemption (144.062- 144.540)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
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**ESTIMATED NET EFFECT ON  
CONSERVATION FUND**

<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>
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**COMPETE MISSOURI JOB  
 DEVELOPMENT FUND**

<u>Transfer In</u> - from general revenue for providing financial assistance to companies that create new jobs (620.806)	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Transfer In</u> - gifts, contributions, grants or bequests received	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Transfer Out</u> - to companies for the training programs set up to help create new jobs	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
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**ESTIMATED NET EFFECT ON  
 COMPETE MISSOURI JOB  
 DEVELOPMENT FUND**

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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**COMPETE MISSOURI  
 COMMUNITY COLLEGE NEW  
 JOBS TRAINING FUND**

<u>Transfer In</u> - new jobs credits (620.809)	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Transfer In</u> - gifts, contributions, grants or bequests received	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Transfer Out</u> - to community colleges for training project costs	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
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**ESTIMATED NET EFFECT ON  
 COMPETE MISSOURI  
 COMMUNITY COLLEGE NEW  
 JOBS TRAINING FUND**

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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**COMPETE MISSOURI  
 COMMUNITY COLLEGE JOB  
 RETENTION TRAINING FUND**

<u>Transfer In</u> - retained jobs credits (620.809)	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Transfer In</u> - gifts, contributions, grants or bequests received	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Transfer Out</u> - to community colleges for training programs.	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

**ESTIMATED NET EFFECT ON  
 COMPETE MISSOURI  
 COMMUNITY COLLEGE JOB  
 RETENTION TRAINING FUND**

\$0                      \$0                      \$0

FISCAL IMPACT - Local Government                      FY 2012                      FY 2013                      FY 2014  
 (10 Mo.)

**SCHOOL DISTRICT FUNDS**

<u>Loss</u> - sales tax exemption (144.062- 144.540)	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
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**ESTIMATED NET EFFECT ON  
 SCHOOL DISTRICT FUNDS**

\$0 to  
(Unknown)                      \$0 to  
(Unknown)                      \$0 to  
(Unknown)

FISCAL IMPACT - Small Business

This could affect small businesses that receive any of the listed tax credits.

FISCAL DESCRIPTION

This act modifies provisions of Missouri tax credit programs in accordance with recommendations made by the Missouri Tax Credit Review Commission Report.

BROWNFIELD REMEDIATION TAX CREDITS

The act prohibits the authorization of more than twenty-five million dollars in Brownfield

FISCAL DESCRIPTION (continued)

remediation tax credits annually. The credit amount for soft costs is reduced from one hundred percent to twenty-five percent. The act prohibits the stacking of other state incentives with Brownfield remediation tax credits unless the project will generate a positive fiscal benefit to the state. The act requires the recapture of Brownfield remediation tax credits to the extent the amount issued exceeds the state benefit. (Section 447.708)

NEIGHBORHOOD PRESERVATION TAX CREDITS

The "first-come, first-serve" requirement for tax credit issuance is repealed and replaced with a targeted neighborhood approach that would provide priority for projects which provide the highest impact. Neighborhood Associations will now be able to participate in the program. The annual cap on neighborhood preservation tax credits is reduced from sixteen million dollars to ten million dollars. Tax credits will be allocated among projects located within qualifying and eligible areas based upon demand. Residents which receive tax credits for owner-occupied residences will be subject to recapture if they fail to maintain residency in such home for a five-year period. (Sections 135.481 to 135.487)

LOW-INCOME HOUSING TAX CREDITS

Under current law, low-income housing tax credits are allowed over a ten-year period. Beginning July 1, 2011, this act reduces the period of time in which low-income housing tax credits are allowed to a five-year period and limits the total amount of low-income tax credits authorized annually to no more than eighty million dollars. The issuance of four percent low-income housing tax credits will be prohibited after June 30, 2011. The act also prohibits stacking low-income housing tax credits with historic preservation tax credits. Taxpayers will be capable of receiving tax credits once the first low-income unit is occupied by a qualified tenant. The carry-back provision for low-income housing tax credits is reduced from three years to two years. (Section 135.352)

AFFORDABLE HOUSING ASSISTANCE

Under current law, tax credits for contributions to non-profit organizations for the construction, rehabilitation, or acquisition of affordable housing are capped at ten million per fiscal year. This act reduces the cap to eight million five hundred thousand dollars per fiscal year. The one million dollar fiscal year cap on tax credits for contributions to non-profit housing organizations to assist with their basic operating expenses is increased to two million five hundred thousand dollars. The credit amount for affordable housing tax credits is reduced from fifty-five percent of an eligible donation or contribution to forty percent of such donation or contribution. (Sections 32.105 to 32.120)

FISCAL DESCRIPTION (continued)

HISTORIC PRESERVATION TAX CREDITS

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

The act prohibits the department from issuing more than fifty thousand dollars in historic preservation tax credits per project for non-income producing residential rehabilitation projects. Non-income producing residential rehabilitation projects involving a subject property with a purchase price in excess of one hundred fifty thousand dollars will be ineligible for tax credits. Applicants for projects that, as of June 30, 2011, have: received approval from the department of economic development; incurred certain levels of expenses; been approved for 4% federal low-income housing tax credits; or received certification from the state historical preservation officer will not be subject to the new limitations on tax credit issuance, but will be subject to the current law limitations on tax credit issuance. The act also prohibits the stacking of historic preservation tax credits with neighborhood preservation tax credits or low-income housing tax credits. Historic preservation tax credits will now be capable of being carried back one year or forward five years. (Sections 253.545 to 253.559)

SOCIAL AND CONTRIBUTION TAX CREDITS

The definition of taxpayer contained in social and contribution tax credit programs is broadened to allow additional donors to participate. Social and contribution tax credits which under current law are non-transferrable will now be transferrable, but once transferred the value of the credit will be reduced by ten percent. Beginning on or after January 1, 2012, the act decreases the Missouri Development Finance Board Infrastructure Contribution credit from a fifty percent credit for contributions received to a credit equal to thirty-five percent of the amount contributed. The Affordable Housing Assistance Program tax credit is also reduced from fifty-five percent of the eligible donation to forty percent of such donation. The Disabled Access Tax Credit is reduced from fifty percent to thirty-five percent of eligible access expenditures. The per donor contribution limit for food pantry tax credits is increased to \$10,000 for donations of food and \$50,000 for donations of cash. The act excludes international adoption expenses from qualifying under the special needs adoption tax credit program. Beginning January 1, 2012, social and contribution tax credits will be reduced from fifty percent of the eligible contribution or donation to thirty-five percent and where applicable from seventy-percent of the eligible donation or

FISCAL DESCRIPTION (continued)

contribution to fifty percent of such contribution or donation.

SUNSET PROVISIONS FOR CERTAIN TAX CREDIT PROGRAMS

Due to the commission's recommendation that reforms to programs be made on a prospective basis, rather than utilizing traditional sunset provisions, this act prohibits the authorization of tax credits under the following programs after August 28, 2014:

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

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

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

Where, under current law, a tax credit was subject to the sunset act, the sunset provision is modified to sunset such program on the date provided above.

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

### FISCAL DESCRIPTION (continued)

The act prohibits the approval of any new applicants under the Distressed Areas Land Assemblage Tax Credit program after August 28, 2011.

### REPEAL OF CERTAIN TAX CREDIT PROGRAMS

This act repeals the following tax credit programs:

- 1) The Wine and Grape Production Tax Credit;
- 2) The Charcoal Producers Tax Credit;
- 3) The Self-Employed Health Insurance Tax Credit;
- 4) The Small Business Incubator Tax Credit;
- 5) The Railroad Rolling Stock Tax Credit; and
- 6) The Brownfield Jobs/Investment Credit.

The act also repeals provisions of the Missouri property tax credit, commonly referred to as the circuit breaker tax credit, which allow renters to receive the property tax credit for rent constituting taxes paid.

### CORPORATE FRANCHISE TAX

The act caps corporate franchise tax liabilities at the amount of each corporation's tax liability for the 2010 tax year. If a corporation did have a corporate franchise tax liability in 2010 because such corporation was not doing business within the state or did not exist, such corporation's franchise tax liability will be capped at the amount of such corporation's franchise tax liability for its first full-year of existence. Beginning January 1, 2012, the corporate franchise tax rate will be gradually reduced over a five year period until it is completely phased-out. Effective January 1, 2016, no corporate franchise tax will be imposed. (Section 147.010)

### COMPETE MISSOURI

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

The act establishes the Compete Missouri Job Training Program which will provide financial assistance for job training for new jobs created by qualified companies. Financial assistance will also be available to business and technology centers established by Missouri community colleges, or state-owned postsecondary technical colleges, to provide business and training services for growth industries. The act provides for the diversion of withholding taxes from new or retained jobs of qualified companies to pay costs incurred by new or retained jobs training projects administered by local educational agencies such as community and technical colleges.

FISCAL DESCRIPTION (continued)

The provisions of the act creating the Compete Missouri Training Program will automatically sunset July 1, 2018, unless re-authorized. (Sections 620.800 to 620.809)

The Compete Missouri Program is established to provide tax incentives in the form of sales and use tax exemptions, retained withholding taxes, and refundable income and financial institutions tax credits for qualified companies that create new or retain existing jobs and make capital investments. The program provides both entitlement and discretionary benefits for qualified companies that offer health insurance to all employees and pay at least fifty percent of the premiums. Tax credits provided under the program are fully transferrable and must be used within one taxable year following the close of the taxable year in which they are issued. (Sections 620.2000 to 620.2020)

Qualified companies, which create a minimum of twenty new jobs with an average wage equal to or exceeding ninety percent of the county average wage or retain at least one hundred and twenty-five jobs with an average wage equal to or in excess of ninety percent of the county average wage and make at least fifteen million dollars in capital investment, will be eligible to receive up to three years of state and local sales tax exemption for purchases of tangible personal property and building materials used to construct, repair, or remodel a project facility. The Department of Economic Development will certify qualified companies for the state sales tax exemptions while local governments will have the option to certify qualified companies for exemptions from their local sales taxes. The act contains recapture provisions requiring repayment of tax incentives in the event a qualified company fails to meet program requirements. (Sections 144.062 and 144.540)

Qualified companies that create twenty or more new jobs with an average wage equal to or in excess of ninety percent of the county average wage will be entitled to retain withholding taxes from new payroll for a period of five years. Such a company will also be entitled to tax credits equal to up to two percent of new payroll to be issued each year for five years, provided that the combined tax credit and retained withholding benefits cannot exceed five percent of new payroll. The act gives the Department of Economic Development the discretion to issue such company additional tax credits, equal to up to four percent of payroll, for five years provided that the total amount of all benefits received does not exceed nine percent of new payroll annually. In addition, discretionary tax credits authorized by the department cannot exceed the projected net state benefit.

If a qualified company is in a targeted industry and it creates ten or more new jobs with an average wage equal to or in excess of ninety percent of the county average wage, it will be entitled to retain withholding taxes from new payroll for a period of five years. Such a company



FISCAL DESCRIPTION (continued)

will also be entitled to tax credits equal to up to three percent of new payroll to be issued each year for five years, provided that the combined tax credit and retained withholding benefits cannot exceed six percent of new payroll. The act gives the Department of Economic Development the discretion to issue such company additional tax credits, equal to up to six percent of new payroll, for five years provided that the total amount of all benefits received does not exceed nine percent of new payroll annually. Discretionary tax credits authorized by the department cannot exceed the projected net state benefit.

Qualified companies, located within an enhanced enterprise zone, that create two or more new jobs with an average wage equal to or in excess of eighty percent of the county average wage and make a capital investment of at least one hundred thousand dollars will be entitled to retain withholding taxes for a period of five years.

Any qualified company that is an existing Missouri business and meets the aforementioned conditions under the compete Missouri program will be entitled to retain withholding taxes for an additional year.

As an alternative to all other benefits available under the program, the Department of Economic Development may provide up-front financing to qualified companies in the form of refundable tax credits capable of being issued upon approval of the project. To receive such benefits, a qualified company must enter into a written agreement with the department that provides performance requirements and clawback provisions. Qualified companies in targeted industries could receive tax credits equal to as much as nine percent of new payroll projected over a five year period. Non-targeted industry qualified companies could receive tax credits equal to as much as seven percent of new payroll projected over a five year period.

The Department of Economic Development may allow qualified companies, that agree to retain at least one hundred and twenty-five existing jobs with an average wage equal to or in excess of ninety percent of the county average wage for at least five years and agree to make a capital investment equal to three times the amount of state benefits provided within two years, to retain withholding taxes from the retained jobs for a period of five years. As an alternative to all other benefits available under the program, the Department of Economic Development may provide up-front financing to qualified companies in the form of refundable tax credits capable of being issued upon approval of the project. Qualified companies, that agree to retain at least one hundred and twenty-five existing jobs with an average wage equal to or in excess of ninety percent of the county average wage for at least five years and agree to make a capital investment equal to three times the amount of state benefits provided within two years, could receive tax credits equal to as much as eighty percent of withholdings from retained job payroll projected

FISCAL DESCRIPTION (continued)

over a five year period. In order to receive the job retention benefits, a qualified company must enter into a written agreement with the department providing detailed performance requirements and recapture provisions.

The Department of Economic Development is required to respond to a request for a proposed benefit award under the Compete Missouri Program within five business days of the receipt of such request. The response must contain either a proposal of benefits or a written refusal stating the reasons no proposal will be provided. Failure by the department to approve or disapprove a notice of intent for benefits under the program will result in a deemed approval. Beginning January 1, 2012, the Department of Economic Development must provide quarterly reports on the program to the General Assembly, including a listing of all approved and disapproved applicants and the department's response time to requests for proposed benefit awards. Qualified companies that receive benefits under the program will be required to provide annual reports to the department, in order to document compliance with all applicable requirements and stating the amount of sales taxes exempted.

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

The act limits the amount of up-front job creation and retention tax credits that may be authorized each fiscal year to no more than:

- 1) \$15 million for FY 2012;
- 2) \$30 million for FY 2013;
- 3) \$45 million for FY 2014; and
- 4) \$60 million for FY 2015 and all subsequent fiscal years.

The total amount of all tax credits authorized for each fiscal year under the Compete Missouri Program including any up-front job creation/retention tax credits and any outstanding authorizations for tax credits under the six programs prohibited from approving new projects after August 28, 2011, cannot exceed:

- 1) \$111 million for FY 2012;
- 2) \$126 million for FY 2013; and
- 3) \$141 million for FY 2014 and each subsequent fiscal year.

FISCAL DESCRIPTION (continued)

The provisions of the act creating the Compete Missouri Program will automatically sunset six years after the effective date of the act unless re-authorized.

This act contains an emergency clause.

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

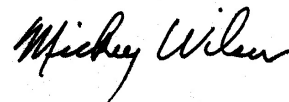
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Page 52 of 52  
March 14, 2011

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