

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0990-02  
Bill No.: Truly Agreed To and Finally Passed SCS for SB 180  
Subject: Tax Incentives; Tax Credits; Military Affairs  
Type: Original  
Date: June 3, 2019

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Bill Summary: This proposal modifies provisions relating to incentives for the creation of military jobs.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	\$0 to (Could exceed \$5,493,047)	\$0 to (Could exceed \$5,493,047)	\$0 to (Could exceed \$5,493,047)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 to (Could exceed \$5,493,047)</b>	<b>\$0 to (Could exceed \$5,493,047)</b>	<b>\$0 to (Could exceed \$5,493,047)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</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 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume to the extent the military projects qualify for additional tax credits and there is sufficient space under the Missouri Works Program cap, this proposal could impact General and Total State Revenues and the calculation pursuant to Article X, Section 18(e).

Additionally, to the extent this proposal encourages other economic activity, General and Total State Revenue may increase, but B&P cannot estimate the induced revenues. B&P notes the proposal requires the Department of Economic Development determine that the project(s) have a net positive benefit to the state.

Officials at the **Department of Economic Development** and the **Department of Revenue** each assume no fiscal impact from this proposal.

**Oversight** notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Missouri Works - Business Incentive tax credit program had the following activity;

	FY 2016	FY 2017	FY 2018	FY 2019 (projected)	FY 2020 (projected)
Certificates Issued	4	17	31	92	103
Projects	136	144	141	140	142
Amount Authorized	\$114,719,436	\$155,506,188	\$185,732,973	\$172,254,336	\$183,158,205
Amount Issued	\$23,741,677	\$35,547,214	\$45,830,250	\$95,576,322	\$110,506,953
Amount Redeemed	\$12,075,789	\$35,065,683	\$56,398,909	\$93,664,796	\$108,296,814

Amount Outstanding - \$1,559,276.84    Amount Authorized but Unissued - \$632,066,458.08

**Oversight** notes the MO Works Program was created in 2013 in HB 184. It replaced the Development tax credit in §32.100, the Rebuilding Communities tax credit in §135.535, the Enhanced Enterprise Zones tax credit in §135.950 and the Quality Jobs tax credit in §620.1875. MO Works was given a \$106 million cap in FY 2014, a \$111 million cap in FY 2015 and a \$116 million cap in FY 2016 and all subsequent years. This \$116 million cap includes outstanding authorizations under the previous tax credits.

ASSUMPTION (continued)

**Oversight** notes this proposal expands the MO Works Program to allow “qualified military projects” to be allowed to qualify for benefits. The military base would need to increase military or civilian support personnel and invest in real or personal property at the base or installation. The military base would need to have a memorandum of understanding between an industrial development authority and the Department of Defense. Oversight notes Missouri is home to Whiteman Air Force Base, Rosecrans Air National Guard Base, Fort Leonard Wood Army Base and the National Geospatial-Intelligence Agency (NGA). The NGA is currently building a new headquarters in St. Louis. Oversight notes the NGA project may now be eligible for benefits under the MO Works Program.

This proposal would grant the industrial development authority a tax credit equal to the amount of withholding taxes associated with the civilian and military new jobs at the facility.

To qualify currently for a tax credit under MO Works a company must create or retain a minimum number of jobs at the project facility with average wages of 80%, 90%, 120% or 140% of the county average wage and pay at least 50% of health insurance premiums. These projects are considered Zone Works, Rural Works, Statewide Works, and Mega Works (120 & 140).

In addition to the tax credits, a company is allowed to retain withholding tax based on the creation of new jobs and retained jobs. There is no annual cap on the amount of withholding tax that can be retained.

**Oversight** will assume this military project may qualify for \$5,493,047 (\$116 million cap - \$110,506,953 DED’s estimated issuance total for FY 2020). Since DED’s estimated issuance totals for fiscal years 2020 - 2022 could be less than \$110.5 million (leaving more cap space for this new program) and/or the project could also qualify to retain withholding tax, Oversight will show the impact as \$0 to Could exceed \$5,493,047 annually.

**Oversight** assumes this proposal could increase utilization of the program and could result in positive benefits for the state. As the proposal reads, “no qualified military project shall be eligible for tax credits under this subsection unless the Department of Economic Development determines the qualified military project shall achieve a net positive fiscal impact to the state.” Oversight considers the positive benefits the state may receive from this new program to be indirect impacts, and will not reflect them in the fiscal note.

**Oversight** when calculating this fiscal note assumed that all credits issued will be redeemed in that same fiscal year.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>GENERAL REVENUE</b>			
<u>Revenue Reduction</u> - DED §620.2010- expansion of MO Works to allow for military projects	\$0 to (Could exceed <u>\$5,493,047</u> )	\$0 to (Could exceed <u>\$5,493,047</u> )	\$0 to (Could exceed <u>\$5,493,047</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0 to (Could exceed <u>\$5,493,047</u>)</b>	<b>\$0 to (Could exceed <u>\$5,493,047</u>)</b>	<b>\$0 to (Could exceed <u>\$5,493,047</u>)</b>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act modifies the Missouri Works program by creating an additional tax credit, in lieu of any other tax credit offered under the program, for the expansion or improvement of a military base or installation that causes an increase of ten or more military or civilian support personnel with an average wage of at least 90% of the county average wage and health insurance benefits as described in the act, and investment in real or tangible personal property at the base or installation expressly for the purpose of serving a new or expanded military activity or unit.

The tax credit shall be issued to an industrial development authority, as defined in the act, in an amount equal to the withholdings taxes associated with the civilian and military new jobs located at the facility and directly impacted by the qualified military project. The tax credits shall be issued for no more than fifteen years, and shall be the least amount necessary to ensure the completion of the project. A project shall not be eligible for tax credits unless the Department of Economic Development determines that such project will provide a net positive fiscal benefit to the state. (§620.2010)

FISCAL DESCRIPTION (continued)

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

SOURCES OF INFORMATION

Department of Economic Development  
Department of Revenue  
Office of Administration Division of Budget and Planning



Kyle Rieman  
Director  
June 3, 2019

Ross Strobe  
Assistant Director  
June 3, 2019