

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5383-03  
Bill No.: HCS for HB 2393  
Subject: Economic Development; Economic Development Department  
Type: Original  
Date: March 27, 2008

---

Bill Summary: This proposal modifies provisions of the enhanced enterprise zone tax benefit program and establishes the mega-projects tax credit.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	\$0	\$0	\$0 to (\$40,000,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0 to (\$40,000,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<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 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</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 2009</b>	<b>FY 2010</b>	<b>FY 2011</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 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

---

## **FISCAL ANALYSIS**

### ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (BAP)** state this proposal creates a new tax credit for "mega projects" in enterprise zones with an annual cap of \$40 million. This will decrease general and total state revenues by that amount. Further, the taxpayer is required to develop an acceptable repayment plan for the tax credits received. BAP presumes the entire amount of tax credits redeemed will eventually be repaid. Thus, it appears the net fiscal impact of this proposal is neutral over the life of the project and repayment plan.

Finally, these changes may induce economic activity which may indirectly generate additional general and total state revenues. BAP defers to the DED for an estimate of any such revenues.

This proposal also modifies the Enhanced Enterprise Zone Tax Benefit Program by prohibiting taxpayers from simultaneously receiving a tax credit under this program and the Quality Jobs Act.

Officials from the **Department of Economic Development** assume the proposal would not fiscally impact their agency.

In response to a similar proposal from this year (SB 1234), officials from the **Department of Revenue** assumed the proposal would not fiscally impact their agency.

This substitute adds language within the Enhanced Enterprise Zone program regarding mega-projects. **Oversight** assumes the new \$40 million annual cap for mega-projects is above and beyond the benefits from the Enhanced Enterprise Zone program (overall cap of \$14 million). Therefore, Oversight assumes this change may increase the amount of tax credits issued by DED.

**Oversight** assumes the changes within this proposal may increase tax credits issued by the state. Oversight assumes there would be some positive benefit to the state for issuing these credits (and getting a mega-project established in Missouri), but Oversight considers those benefits to be indirect, and have not reflected them in this fiscal note. Oversight also assumes repayment of the credits would occur in years beyond the scope of this fiscal note. DED shall not approve any credits for mega-projects before July 1, 2010. Therefore, Oversight will assume credits may be issued in the third and fourth quarters of 2010, and utilized on tax returns filed in FY 2011. Therefore, Oversight will assume a potential utilization of the program of up to \$40 million starting in FY 2011.

ASSUMPTION (continued)

**This proposal may reduce Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
<b>GENERAL REVENUE</b>			
<u>Loss - DED</u>			
Mega-projects tax credits (135.968)	<u>\$0</u>	<u>\$0</u>	\$0 to <u>(\$40,000,000)</u>
<b>ESTIMATED NET EFFECT TO GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0 to (\$40,000,000)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<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 bill prohibits taxpayers from simultaneously receiving tax credits from the Enhanced Enterprise Zone Program and the Quality Jobs Program for the same facility.

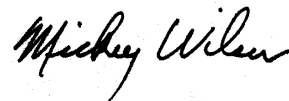
This substitute also establishes a \$40 million annual tax credit for mega-projects.

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

L.R. No. 5383-03  
Bill No. HCS for HB 2393  
Page 5 of 5  
March 27, 2008

SOURCES OF INFORMATION

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

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, prominent 'M' and 'W'.

Mickey Wilson, CPA  
Director  
March 27, 2008