

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0837-01
Bill No.: HB 191
Subject: Economic Development Department
Type: Original
Date: January 26, 2009

Bill Summary: This proposal eliminates the cap for tax credits issued under the Missouri Quality Jobs Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on General Revenue Fund	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0	\$0	\$0

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

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	0	0	0

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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government*	\$0	\$0	\$0

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

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state this proposal removes the annual cap on the Missouri Quality Jobs program. DED assumes a positive impact on General Revenue from increases to Missouri Quality Jobs. The exact number of additional applications expected as a result of removing the cap is unknown. If a large number of applications are received, additional FTE would be required. These FTE would be requested through the budget process.

Officials from the **Office of Administration - Budget and Planning (BAP)** did not respond to our request for fiscal impact.

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

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown to what extent the tax credits have exceeded statutory limits. 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 throughout 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.

Oversight assumes the proposal may result in an increase in Quality Jobs tax credits being redeemed through the Department of Revenue and/or the Department of Insurance, Financial Institutions and Professional Registration. Oversight assumes it is unknown the amount of increase in tax credits or when they will be redeemed. Therefore, Oversight will range the fiscal impact of the proposal from \$0 to a negative "Unknown." Oversight assumes this proposal could have an indirect positive impact on Missouri's economy and state tax revenue; however, Oversight considers this to be an indirect effect of the proposal and have not included it in the fiscal note.

This proposal could reduce Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
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GENERAL REVENUE

<u>Loss - Potential increase in Quality Jobs Act tax credits - currently the cap is \$60 million per year and this proposal eliminates that cap</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
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ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	\$0 TO <u>(UNKNOWN)</u>	\$0 TO <u>(UNKNOWN)</u>	\$0 TO <u>(UNKNOWN)</u>
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Note: This does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that can qualify under the Quality Jobs program may be positively impacted as a result of this proposal.

FISCAL DESCRIPTION

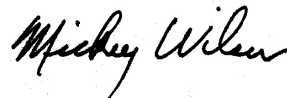
Currently, no more than \$60 million in tax credits can be issued in any calendar year for the Missouri Quality Jobs Program. This bill eliminates the cap.

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
Department of Insurance, Financial Institutions and Professional Registration

NOT RESPONDING:
Office of Administration - Budget and Planning



Mickey Wilson, CPA
Director
January 26, 2009