COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0291-05
Bill No.: SB 5
Subject: Business and Commerce; Economic Development; Economic Development Department; Historic Preservation; Housing; Tax Credits; Taxation and Revenue - Income
Type: Original
Date: January 10, 2013

Bill Summary: This proposal modifies several provisions regarding tax credits and the corporate income tax.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue *	$47,116,821	$8,677,123	($49,104,877)
Total Estimated Net Effect on General Revenue Fund	**$47,116,821**	**$8,677,123**	**($49,104,877)**

*** These credits have an annual cap that could change the above stated revenue projections.**

Note: The fiscal note 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.

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 22 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
MO Agriculture Small Business Development Authority	($168,127)	($168,127)	($168,127)
Total Estimated Net Effect on Other State Funds	**($168,127)**	**($168,127)**	**($168,127)**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
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 2014	FY 2015	FY 2016
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Section 32.115 Neighborhood Assistance
Oversight assumes this provision prohibits the authorization of additional tax credits after August 28, 2017 (FY 2018). This program has an annual cap of $16 million dollars. **Oversight** assumes any impact from this change is outside the fiscal note period.

Section 100.286 MDFB Infrastructure
According to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the MDFB Infrastructure tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Certificates Issued (#)	234	352	212
Projects (#)	9	8	6
Amount Authorized	$6,550,000	$693,000	$13,313,670
Amount Issued	$39,203,730	$15,990,013	$11,091,772
Amount Redeemed	$13,970,215	$25,597,348	$33,444,754

Oversight assumes this proposal prohibits the authorization of additional tax credits after August 28, 2013 (FY 2014). This program has an annual cap of $15 million, which can be increased by the Missouri Development Finance Board. Oversight will reflect the amount of increased revenue to the State as equal to the average amount issued over the last five years ($23,565,663).

ASSUMPTION (continued)

Section 100.297 Bond Guarantee
Oversight assumes this proposal prohibits the authorization of additional tax credits after August 28, 2013 (FY 2014). This program has an annual cap of $50 million; however, no tax credits for this program have been redeemed in the last 5 years. Oversight will reflect no impact from this part of the proposal on state revenue.

Section 135.090 Surviving Spouse
According to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Surviving Spouse tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Issued	$22,363	$16,861	$32,793
Amount Redeemed	$22,363	$16,861	$32,793

Oversight assumes this tax credit was to sunset on August 28, 2013 (FY 2014). This proposal extends the tax credit until December 31, 2017 (FY 2018); therefore, **Oversight** will show a loss to state revenue for the credits issued in FY 2015 and FY 2016. This tax credit does not have an annual cap. **Oversight** will reflect a loss of revenue to the State equal to the average amount issued over the last four years ($20,468).

Section 135.155 Business Facility
According to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Business Facility tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Certificates Issued (#)	45	29	22
Projects (#)	45	29	22
Amount Authorized	$4,897,474	$4,450,697	$4,840,502
Amount Issued	$4,897,474	$4,450,697	$4,840,502
Amount Redeemed	$2,883,729	$5,862,965	$4,867,041

Oversight assumes this proposal prohibits the authorization of additional tax credits after August 28, 2013 (FY 2014). This program does not have an annual cap. Oversight will reflect the amount of increased revenue to the State as the average amount issued over the last five years ($4,914,543).

ASSUMPTION (continued)

Section 135.313 Charcoal Producers
Oversight assumes the repeal of this program would have no impact to the State as no new credits have been issued since December 31, 2005.

Section 135.327 Children In Crisis
According to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Children in Crisis tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Issued	$420,857	$587,137	$629,456
Amount Redeemed	$420,857	$587,137	$629,456

Oversight assumes the Children In Crisis tax credit previously sunset on August 28, 2012. This proposal extends this tax credit beginning on July 1, 2013 (FY 2014) and therefore, Oversight will reflect a loss to state revenue for the credits issued in FY 2014, FY 2015 and FY 2016. The Children in Crisis program shares a four million dollar annual cap with the Special Needs Adoption tax credit. Oversight will reflect the amount of lost revenue to the State equal to the average amount issued over the last five years ($469,403) through this program.

Oversight assumes this proposal would prohibit the issuance of any further tax credits under this program after December 31, 2017. Oversight assumes any impact from this change is outside the fiscal note period.

Sections 135.350 and 135.352 Low Income Housing
Officials at the **Missouri Housing Development Commission** assume these changes would result in the eventual reduction of redemptions and corresponding increase in General Revenue if the Affordable Housing Assistance Program (AHAP) sunsets. The AHAP has a current annual cap of $11 million dollars.

These changes would impose a $50 million dollar annual cap on both the 4% and 9% Missouri Low Income Housing Tax Credits (MOLIHTC) beginning in FY 2014. The state will see a significant reduction in the annual amount of MOLIHTC issued and redeemed as a result of this change. 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.

ASSUMPTION (continued)

The full impact of the reductions in the tax credit issuances and redemptions would be phased-in as follows:

FY	AHAP Long-Range Impact	Mo. LIHTC Long-Range Impact
FY14		
FY15		
FY16		Unknown to $19,000,000
FY17		Unknown to $38,000,000
FY18	Unknown to $11,000,000	Unknown to $57,000,000
FY19	Unknown to $11,000,000	Unknown to $76,000,000
FY20	Unknown to $11,000,000	Unknown to $95,000,000
FY21	Unknown to $11,000,000	Unknown to $111,000,000

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume that changing the cap and adding prohibitions could result in an unknown change to premium tax revenue.

According to the Tax Credit Analysis submitted by the Missouri Housing Development Commission regarding this program, the Low Income Housing tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Certificates Issued (#)	303	212	457
Projects (#)	35	26	42
Amount Authorized	$149,068,200	$102,960,000	$171,894,310
Amount Issued	$155,703,625	$156,016,305	$164,956,766
Amount Redeemed	$142,141,458	$143,055,387	$164,208,547

Oversight notes this proposal would substantially reduce the issuance of Missouri Low Income Housing Tax Credits. Oversight assumes that the reduction would begin to have a fiscal impact in FY 2016 since projects approved after June 30, 2012 would not generally result in tax credits issued until after the end of FY 2015. Oversight will reflect the increased revenue to the State as the estimate provided by the Missouri Housing Development Commission.

Oversight assumes this proposal prohibits the stacking of historic preservation tax credits with low-income housing tax credits. Oversight assumes this change could result in a reduced amount of tax credits being issued in future fiscal years. Oversight will reflect a projected increase in net revenues as Unknown.

ASSUMPTION (continued)

Sections 135.460 Youth Opportunities
Oversight assumes this proposal prohibits the authorization of additional credits after December 31, 2017 (FY 2018). This program has an annual cap of $6 million dollars. **Oversight** assumes any impact from this change is outside the fiscal note period.

Section 135.484 Neighborhood Preservation
According to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Neighborhood Preservation tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Certificates Issued (#)	202	97	41
Projects (#)	202	97	41
Amount Authorized	$10,290,561	$8,747,403	$9,145,202
Amount Issued	$5,987,555	$2,431,678	$969,307
Amount Redeemed	$6,739,113	$4,427,639	$2,159,654

Oversight assumes this proposal prohibits the authorization of additional credits after August 28, 2013 (FY 2014). This program has an annual cap of $16 million dollars. Oversight will reflect the amount of increased revenue to the State equal to the average amount issued over the last five years ($4,248,174).

Section 135.562 Residential Dwelling -Individual
Oversight assumes this proposal prohibits the authorization of additional credits after December 31, 2017 (FY 2018). This program has an annual cap of $100,000. **Oversight** assumes any impact from this change is outside the fiscal note period.

Section 135.600 Maternity Homes
Oversight assumes this proposal prohibits the authorization of additional credits after December 31, 2017 (FY 2018). This program has an annual cap of $2 million dollars. **Oversight** assumes any impact from this change is outside the fiscal note period.

Section 135.630 Pregnancy Resource Center
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.

ASSUMPTION (continued)

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.

According to the Tax Credit Analysis submitted by the Department of Social Services regarding this program, the Pregnancy Resource Center tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Certificates Issued (#)	3,708	3,729	3,827
Amount Issued	$1,324,130	$1,795,230	$1,844,684
Amount Redeemed	$1,198,062	$1,103,384	$1,892,183

Oversight assumes the Pregnancy Resource Center tax credit previously sunset on August 28, 2012. This proposal extends this tax credit beginning on July 1, 2013 (FY 2014) and therefore Oversight will show a loss to state revenue for the credits issued in FY 14, FY 15 and FY 16. This credit has an annual cap of $2 million dollars. Oversight will reflect a loss of revenue to the State equal to the average amount issued over the last five years ($1,523,454).

Oversight assumes this proposal would prohibit the issuance of any further tax credit under this program after December 31, 2017. Oversight assumes any impact from this change is outside the fiscal note period.

135.647 Food Pantry Tax Credits

According to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Food Pantry tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Redeemed	$793,734	$1,081,076	$796,156

Oversight assumes the Food Pantry tax credit previously sunset on August 28, 2011. This proposal extends this tax credit beginning on July 1, 2013 (FY 2014) and therefore Oversight will show the loss to state revenue for the credits issued in FY 14, FY 15 and FY 16. Oversight assumes the credit has an annual cap of $2 million dollars. Oversight will reflect the amount of loss of revenue to the State equal to the average amount issued over the last four years ($890,322).

ASSUMPTION (continued)

Oversight assumes this proposal would prohibit the issuance of any further tax credit under this program after December 31, 2017. Oversight assumes any impact from the change is outside the fiscal note period.

Section 135.679 Qualified Beef
According to the Tax Credit Analysis submitted by the Department of Agriculture regarding this program, the Qualified Beef tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Authorized	$43,028	$29,482	$296,410
Amount Issued	$43,028	$29,482	$296,410
Amount Redeemed	$0	$9,447	$219,062

Oversight assumes this proposal prohibits the authorization of additional credits after December 31, 2013 (FY 2014). This program has an annual cap of $3 million dollars. Oversight will reflect the amount of increased revenue to the State equal to the average amount issued over the last three years ($122,973).

Section 135.700 Wine and Grape
According to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Wine Producers and Grape Growers tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Authorized	$54,085	$90,014	$111,568
Amount Issued	$54,085	$90,014	$104,522
Amount Redeemed	$112,057	$29,411	$61,598

Oversight assumes this proposal prohibits the authorization of additional credits after December 31, 2013 (FY 2014). This program does not have an annual cap. Oversight will reflect the amount of increased revenue to the State equal to the average amount issued over the last five years ($111,737).

Section 143.071 Corporate Tax Rate
Officials at the **University of Missouri Economic and Policy Analysis Research Center** assume starting in 2014, this legislation would reduce the corporate income tax rate by 1.25% each year until January 1, 2018, when there will be no state tax on corporate income. Using the latest 2010 corporate income tax data, we estimate the current aggregate corporate tax liability to

ASSUMPTION (continued)

be $383.905 million with the current tax rate on corporate income at 6.25%. The aggregate corporate tax liability in 2014 to be $307.124 million when the tax rate is reduced to 5%. The aggregate corporate tax liability in 2015 to be $230.342 million when the tax rate is reduced to 3.75%. The aggregate corporate tax liability in 2016 to be $153.562 million when the tax rate is reduced to 2.5%. The aggregate corporate tax liability in 2017 to be $76.781 million when the tax rate is reduced to 1.25% and in 2018 it would be $0.

Therefore Net General Revenue will be reduced by $76.781 million in 2014, $153.563 million in 2015, $230.344 million in 2016, $307.124 million in 2016, and $383.905 million in 2018 due to the gradual elimination of the corporate income tax.

Officials at the **Office of Administration -Budget and Planning** (**BAP**) assume this would reduce the corporate tax rate over five years until it is eliminated. In FY 2012 $275.6 million in net corporate taxes were received. This proposal would reduce General and Total State Revenue by the following estimate:

	Rate	Collections ($M)	Loss
Old	6.25	$275.6	
FY 2015	5	$220.5	($55.1)
FY 2016	3.75	$165.4	($110.2)
FY 2017	2.5	$110.2	($165.4)
FY 2018	1.25	$55.1	(220.5)
FY 2019	0	$0	(275.6)

ASSUMPTION (continued)

Officials at the **Department of Revenue** assume for calendar year 2010, the Missouri corporate taxpayers reported $5.6 billion in taxable income and $349 million in tax. Based on the estimated tax of $349 million, the Department estimates the following reduction in corporate income tax:

2014	69.80 million
2015	$139.60 million
2016	$209.40 million
2017	$279.20 million
2018	$349.00 million

DOR assumes the Corporate Tax Division will need one Revenue Processing Technician I ($25,380) per 7,800 additional errors generated. Additionally, one Revenue Processing Technician I ($25,380) per 2,600 additional pieces of correspondence generated.

Oversight assumes DOR's Corporate Division could absorb the responsibilities of this corporate tax reduction with existing resources. Should DOR experience the number of additional errors or correspondence to justice another FTE they could seek that FTE through the appropriation process.

Oversight assumes a change as of January 1, 2014 would impact corporate tax payments starting in FY 2015.

Officials at the **Department of Economic Development** defer to the Department of Revenue for fiscal impact.

Section 208.770 Family Development Account
Oversight assumes this proposal prohibits the authorization of additional tax credits after August 28, 2017 (FY 2018). This program has an annual cap of $300,000. **Oversight** assumes any impact from this change is outside the fiscal note period.

Section 253.550, 253.557, 253.559 Historic Preservation
Officials at the **Department of Economic Development** (**DED**) assume this change reduces the annual cap from $140 million to $50 million beginning July 1, 2013. Historically, the estimated

ASSUMPTION (continued)

amount of tax credits authorized per fiscal year for the Historic Preservation tax credit program is $100 million. This change caps the amount of authorized tax credits at $50 million; therefore, DED assumes the proposed legislation will have a positive impact on Total State Revenues from unknown to $50 million.

According to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Historic Preservation tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Certificates Issued (#)	219	161	178
Projects (#)	219	161	178
Amount Authorized	$99,510,175	$82,839,495	$98,591,346
Amount Issued	$107,229,218	$116,244,410	$105,272,651
Amount Redeemed	$108,064,200	$107,767,393	$133,937,747

Oversight assumes this proposal reduces the cap on this credit. Oversight will show the increase revenue to the state as the estimate given by the Department of Economic Development of $50,000,000 annually.

Section 348.430, 348.432 and 348.436 Agricultural Product Utilization Contributor and New Generation Cooperative

According to the Tax Credit Analysis submitted by the Department of Agriculture regarding this program, the Agricultural Product Utilization Contributor tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Authorized	$1,307,479	$1,362,230	$2,479,356
Amount Issued	$1,307,479	$1,356,255	$2,479,356
Amount Redeemed	$114,674	$466,048	$1,468,156

According to the Tax Credit Analysis submitted by the Department of Agriculture regarding this program, the New Generation Cooperative Incentive tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Authorized	$2,563,644	$360,000	($652,500)
Amount Issued	$2,563,644	$360,000	$2,023,500
Amount Redeemed	$3,287,882	$1,984,424	$826,953

ASSUMPTION (continued)

Oversight assumes this proposal prohibits the authorization of additional tax credits after December 31, 2013 (FY 2014). These programs share an annual cap of $6 million dollars. Oversight will reflect the amount of increased revenue to the State equal to the average amount issued over the last five years ($5,105,784).

Section 348.505 Family Farm Breeding Livestock
According to the Tax Credit Analysis submitted by the Department of Agriculture regarding this program, the Family Farm Breeding tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Authorized	$105,865	$35,226	$31,397
Amount Issued	$67,917	$35,226	$32,219
Amount Redeemed	$104,798	$49,828	$53,947

Oversight assumes this proposal prohibits the authorization of additional tax credits after August 28, 2013 (FY 2014). This program has an annual cap of $300,000. Oversight will reflect the amount of increased revenue to the State equal to the average amount issued over the last five years ($84,129).

Section 447.708 Brownfield Redevelopment
Officials at the **Department of Economic Development** (**DED**) assume this change proposes a tax credit cap of $20 million annually from July 1, 2013 through June 30, 2017. Currently, the program is uncapped. Beginning July 1, 2017, the cap is reduced to $15 million with a sunset of the program effective August 28, 2020. Historically, the estimated average amount of tax credits authorized per fiscal year for the Brownfield Redevelopment tax credit program is $12 million; therefore, DED assumes this change will have no additional fiscal impact. At the time the sunset becomes effective, DED assumes an unknown positive fiscal impact over $100,000.

The Brownfield Redevelopment tax credit program is the umbrella program for Brownfield Jobs and Investment and Brownfield Remediation. The amounts authorized and issued below are for the combined programs. According to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Brownfield Redevelopment tax credit programs had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Issued	$15,882,806	$21,789,264	$8,101,093
Amount Redeemed	$19,240,495	$13,052,493	$18,628,028

ASSUMPTION (continued)

Oversight assumes the new cap placed on this program is larger than the average amount currently issued, therefore placing the cap on the program would not impact state revenue. Additionally, the sunset of this program is outside the fiscal note period.

Section 620.495 Small Business Incubator
According to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Small Business Incubator tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Amount Authorized	$130,000	$1,000,000	$360,872
Amount Issued	$196,448	$232,301	$115,453
Amount Redeemed	$219,014	$107,549	$166,336

Oversight assumes this proposal prohibits the authorization of additional credits after August 28, 2013 (FY 2014). This program has an annual cap of $500,000. Oversight will reflect the amount of increased revenue to the State equal to the average amount issued over the last five years ($208,767).

Section 660.055 Shared Care
Oversight assumes this proposal prohibits the authorization of additional tax credits after December 31, 2017 (FY 2018). This program does not have an annual cap. **Oversight** assumes any impact from this change is outside the fiscal note period.

Bill as a Whole
Officials at the **Office of Administration - Budget and Planning** (**BAP**) assume this proposal creates caps, institutes sunsets, or renews tax credit programs that have already expired. BAP estimates these changes would result in increased General and Total State Revenue. These proposals may impact economic activity, but BAP cannot estimate the induced revenues.

Officials at the **Department of Agriculture** assume this legislation would eliminate the Qualified Beef Tax Credit Program, the Family Farm Breeding Livestock Tax Credit Program, the New Generation Cooperative Incentive Tax Credit Program, and the Ag Product Utilization Tax Credit Program. The average fee revenues generated for Missouri Agriculture Small Business Development Authority (MASBDA) for these four programs over the past four fiscal years is $168,127 and therefore project that MASBDA will lose this much revenue on average for all future fiscal years if this legislation is enacted.

ASSUMPTION (continued)

Officials at the **Department of Health and Senior Services**, **Department of Natural Resources** and the **Department of Social Services** each assume there is no fiscal impact from this proposal.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume that modifying the sunsets on the tax credits could result in an unknown increase to premium tax revenue.

Officials at the **Department of Revenue** assume that changes to the sunset dates for various tax credit programs could cause authorizations to decline and may increase General and Total State Revenue.

Officials at the **Office of Administration - Information Technology Services Division** (**OA-ITSD**) assume this proposal would require programming changes to various corporate tax systems as well as form changes. The IT portion is estimated at $13,633 for 540 FTE hours.

Oversight assumes OA-ITSD is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD could request funding through the appropriation process.

Officials at the **Department of Economic Development** assume an unknown positive fiscal impact over $100,000 as a result of the changes proposed and the sunset 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 sunset/eliminated programs in any subsequent fiscal year.

The potential positive fiscal impact from the sunset of tax credit programs in this proposal 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 2009 through 2011. 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. DED assumes that tax credits previously authorized or issued under any program with a carry forward provision would continue to be redeemed under these programs, notwithstanding the sunset on the agency's authority to authorize new tax credits.

ASSUMPTION (continued)

Tax Credit Programs to Sunset	Authorization	Effective Date of Sunset	Savings Based on Average Authorizations (FY09-FY11)	Maximum Savings Based on Current Statutory Annual Cap
Development Tax Credits	32.122	August 28, 2017	$2,861,805	$6,000,000
Neighborhood Assistance	32.122	August 28, 2017	$12,829,524	$16,000,000
New and Expanded Business Facility	135.110	August 28, 2013	$5,136,147	$5,136,147 *(Program Uncapped so using Average as maximum savings)*
Youth Opportunities	135.460 and 620.1100-620.1103	December 31, 2017	$4,652,375	$6,000,000
Neighborhood Preservation	135.484	August 28, 2013	$9,805,644	$16,000,000
Wine Producers and Grape Growers	135.700	August 28, 2013	$132,319	$132,319 *(Program Uncapped so using Average as maximum savings)*
Family Development Account	208.750	August 28, 2017	$49,995	$300,000
Small Business Incubator	620.495	August 28, 2013	$449,191	$500,000
Total Amount			**$35,917,000**	**$50,068,466**

FISCAL IMPACT - State Government	FY 2014	FY 2015	FY 2016
GENERAL REVENUE			
Additional Revenue- termination of tax credits			
Infrastructure (100.286) *	$0	$23,565,663	$23,565,663
Business Facility (135.155)	$0	$4,914,543	$4,914,543
Prohibited stacking of credits	$0	Unknown	Unknown
Neighborhood Preservation (135.484) *	$0	$4,248,174	$4,248,174
Qualified Beef (135.679) *	$0	$122,973	$122,973
Wine and Grape (135.700)	$0	$111,737	$111,737
Ag Prod/New Gen (348.430) *	$0	$5,105,784	$5,105,784
Family Farm Breeding (348.505) *	$0	$84,129	$84,129
Small Business Incubator (620.495) *	$0	$208,767	$208,767
Total Additional Revenue	$0	$38,361,770	$38,361,770
Additional Revenue - reduction of the Low Income tax credit cap (135.350)	$0	$0	Unknown to $19,000,000
Additional Revenue - reduction of the Historic Preservation tax credit cap (253.550)	$50,000,000	$50,000,000	$50,000,000
Revenue Reduction- extension of the sunsets on tax credits			
Surviving Spouse (135.090)	$0	($20,468)	($20,468)
Children In Crisis (135.327) *	($469,403)	($469,403)	($469,403)
Pregnancy Resource Center (135.630) *	($1,523,454)	($1,523,454)	($1,523,454)
Food Pantry (135.647) *	($890,322)	($890,322)	($890,322)
Total Revenue Reduction	($2,883,179)	($2,903,647)	($2,903,647)
Revenue Reduction- reduced corporate income tax rate (143.071)	$0	($76,781,000)	($153,563,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$47,116,821**	**$8,677,123**	**($49,104,877)**

*** These credits have an annual cap that could change the above stated revenue projections.**

FISCAL IMPACT - State Government (continued)	FY 2014	FY 2015	FY 2016
MISSOURI AGRICULTURE SMALL BUSINESS DEVELOPMENT AUTHORITY FUND			
Loss - reduction in fees collected	($168,127)	($168,127)	($168,127)
ESTIMATED NET EFFECT ON MISSOURI AGRICULTURE SMALL BUSINESS DEVELOPMENT AUTHORITY FUND	**($168,127)**	**($168,127)**	**($168,127)**

Note: The fiscal note 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.

FISCAL IMPACT - Local Government	FY 2014	FY 2015	FY 2016
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses that receive the tax credits or pay corporate income tax could be impacted by the changes in this proposal.

FISCAL DESCRIPTION

This act modifies laws relating to taxation by extending certain social or benevolent tax credits, ending the authorization of tax credits under many programs or placing sunsets on the program, reducing the amount of low-income housing and historic tax credits that may be authorized each fiscal year, limiting the amount of Brownfield remediation tax credits that may be authorized each fiscal year, and phasing out the corporate income tax.

FISCAL DESCRIPTION (continued)

BENEVOLENT TAX CREDITS - This act modifies provisions of law regarding certain benevolent tax credits.

The Public Safety Officer Surviving Spouse Tax Credit program currently sunsets on August 28, 2013. This act extends the sunset to December 31, 2017. (Section 135.090)

The Children in Crisis Tax Credit program provided an income tax credit for contributions to child advocacy centers, crisis care centers, and entities that receive funding from the Court-Appointed Special Advocate Fund. This tax credit program sunset on August 28, 2012. This act re-authorizes this tax credit effective on July 1, 2013 with a sunset of December 31, 2017. (Section 135.327)

This act extends the sunset from December 2013 to December 2017 on the section of law that creates the tax credit for certain taxpayers who modify their homes to make them accessible for a disabled resident. (Section 135.562)

The provisions of law authorizing a tax credit for contributions to pregnancy resource centers sunset on August 28, 2012. This act re-authorizes this tax credit program effective July 1, 2013 with a sunset of December 31, 2017. (Section 135.630)

The tax credit for donations to food pantries expired August 28, 2011. This act re-authorizes this tax credit program, effective July 1, 2013, with a sunset of December 31, 2017. (Section 135.647)

The provisions regarding the Children in Crisis tax credit, pregnancy resource centers tax credit and the tax credit for donations to food pantries have an emergency clause.

TAX CREDITS - The act prohibits the authorization of further tax credits after August 28, 2013, under the following tax credit programs: the infrastructure tax credit program, the business facility tax credit program, the neighborhood preservation tax credit program, the family farm breeding livestock loan tax credit, the Brownfield jobs/investment tax credit program, and the small business incubator tax credit program. (Sections 100.286, 100.297, 135.155, 135.484, 348.505, 447.708, and 620.495)

The act also ends tax credits under the qualified beef tax credit program, the wine and grape production tax credit program, the agricultural product utilization contributor tax credit program, and the new generation cooperative incentive tax credit program effective December 31, 2013. (Sections 135.679, 135.700,348.430, 348.432, 348.436)

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FISCAL DESCRIPTION (continued)

The act prohibits the authorization of further tax credits after August 28, 2017, under the neighborhood assistance program and the family development account tax credit program and after December 31, 2017, under the youth opportunities tax credit program, the maternity home tax credit program, and the shared care tax credit program, unless the programs are reauthorized by the General Assembly. (Sections 32.115, 208.770, 135.460, 135.600, 660.055)

The act also repeals the charcoal producers tax credit. (Section 135.313)

LOW-INCOME HOUSING TAX CREDITS - (Sections 135.350 and 135.352)
The act establishes a fifty million dollar cap for authorizations of 9% and 4% low-income housing tax credits beginning with FY 2014.

The stacking of state 9% low-income housing tax credits with state historic preservation tax credits for the same project is prohibited. The carry-back for low-income housing tax credits is reduced from three years to two years.

HISTORIC PRESERVATION TAX CREDITS - (Sections 253.550, 253.557, and 253.559)
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 2014, this act would prohibit the Department of Economic Development from approving more than fifty million dollars in historic preservation tax credits increased by the amount of any recisions of approved applications for such tax credits.

NON-INCOME PRODUCING RESIDENTIAL PROJECTS - 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.

TRANSITION RULES - Applicants for projects that, as of August 28, 2013, have: received approval from the Department of Economic Development; incurred certain levels of expenses; 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.

STACKING - The act also prohibits the stacking of state historic preservation tax credits with state 9% low-income housing tax credits. Historic preservation tax credits will now be capable of being carried back one year or forward five years.

FISCAL DESCRIPTION (continued)

BROWNFIELD REMEDIATION TAX CREDITS - (Section 447.708)
The act prohibits the authorization of more than twenty million dollars in Brownfield remediation tax credits in each fiscal year for FY 2014 - FY 2017. Beginning in FY 2018, no more than fifteen million dollars in Brownfield remediation tax credits may be authorized in each fiscal year. The act prohibits the authorization of more than ten million dollars in Brownfield tax credits each fiscal year, for FY 2014 - FY 2017, for projects that receive benefits under the Distressed Areas Land Assemblage program. Beginning FY 2018, no more than five million dollars in Brownfield tax credits may be authorized each fiscal year for projects that receive benefits under the Distressed Areas Land Assemblage program. After August 28, 2020, the authorization of tax credits under this program is prohibited.

CORPORATE INCOME TAX - (Section 143.071) - This act reduces the corporate income tax rate from its current six and one-fourth percent of Missouri taxable income until the tax is eliminated. Beginning with the 2014 tax year, the corporate income tax rate will decrease by one and one-fourth percent each year. Beginning on January 1, 2018, there will be no state tax on corporate income.

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

SOURCES OF INFORMATION

Department of Agriculture
Department of Economic Development
Department of Health and Senior Services
Department of Insurance, Financial Institutions and Professional Registration
Department of Natural Resources
Department of Revenue
Department of Social Services
Office of Administration
University of Missouri - Economic and Policy Analysis Research Center

JH:LR:OD

Ross Strope
Acting Director
January 10, 2013

JH:LR:OD