

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5406-04
Bill No.: HCS for SCS for SB 777
Subject: Aircraft and Airports; Tax Credits; Taxation and Revenue - Sales and Use;
Business and Commerce; Economic Development
Type: Original
Date: April 30, 2014

Bill Summary: This proposal would modify provisions related to business incentives.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|--|--|--|
| FUND AFFECTED | FY 2015 | FY 2016 | FY 2017 |
| General Revenue | (Could exceed \$15,154,400) | (Could exceed \$15,162,583) | (Could exceed \$15,163,267) |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | (Could exceed \$15,154,400) | (Could exceed \$15,162,583) | (Could exceed \$15,163,267) |

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 21 pages.

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|---|---|---|
| FUND AFFECTED | FY 2015 | FY 2016 | FY 2017 |
| Conservation Commission | (Less than \$100,000 to Unknown) | (Less than \$100,000 to Unknown) | (Less than \$100,000 to Unknown) |
| Parks, and Soil and Water | (Less than \$100,000 to Unknown) | (Less than \$100,000 to Unknown) | (Less than \$100,000 to Unknown) |
| School District Trust | (More than \$100,000 to Unknown) | (More than \$100,000 to Unknown) | (More than \$100,000 to Unknown) |
| Missouri International Business Advertising * | \$0 | \$0 | \$0 |
| Total Estimated Net Effect on <u>Other</u> State Funds | (More than \$100,000 to Unknown) | (More than \$100,000 to Unknown) | (More than \$100,000 to Unknown) |

* Net of offsetting revenues and expenditures

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2015 | FY 2016 | FY 2017 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2015 | FY 2016 | FY 2017 |
| | | | |
| | | | |
| 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 2015 | FY 2016 | FY 2017 |
| Local Government | (More than \$100,000 to Unknown) | (More than \$100,000 to Unknown) | (More than \$100,000 to Unknown) |

FISCAL ANALYSIS

ASSUMPTION

Section 135.1670, RSMo. - Economic Incentives at the Kansas Border:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed similar provisions in HB 1515 LR 5115-01 would have no fiscal impact to their organization. These provisions would prohibit the Department of Economic Development from issuing tax credits for the BUILD Program, New and Expanding Business Facility Program and the MO Works Program to businesses relocating from a Kansas border county to a Missouri border county, if the state of Kansas enacts similar prohibitions. If Kansas does not enact similar prohibitions, DED would continue to issue tax credits to qualifying businesses in bordering counties. To the extent the state does or does not issue tax credits for these programs, General and Total State Revenues could be impacted.

Officials from the **Department of Economic Development** assume there would be no fiscal impact to their organization from similar provisions in HB 1515 LR 5115-01.

Officials from the **Department of Revenue** assume these provisions would have no fiscal impact to their organization.

Officials from the **City of Kansas City** stated they were unable to determine a fiscal impact from similar provisions in HB 1515 LR 5115-01. City officials stated it is hard to determine if growth is presumed to exist through the retention of existing jobs that might otherwise relocate to Kansas. The amount is dependent on the number of projects and therefore is unknown.

Officials from **Cass County, Clay County, Jackson County, and Platte County** did not respond to Oversight's request for information on similar provisions in HB 1515 LR 5115-01

Oversight assumes these provisions would require similar action by the Kansas Legislature before it could go into effect. If the Kansas Legislature chooses not to act these provisions would have no fiscal impact. If the Kansas Legislature chooses to adopt similar provisions then a business would need to relocate in order for there to be a potential fiscal impact. Relocation of a business would be an indirect impact of the provisions and therefore; Oversight assumes these provisions would not have a fiscal impact.

ASSUMPTION (continued)

Changes to Section 144.030 RSMo. - Sales Tax Exemption for New or Used Airplanes

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume these provisions would have a statewide impact, as well as impacting the calculation required under Article X, Section 18(e).

BAP officials stated these provisions would create a sales tax exemption for sales of aircraft to non-state residents and noted the following amounts of taxable sales as reported in the Department of Revenue 2012 Annual Report:

| <u>Industry Category</u> | <u>Sales, in Millions</u> |
|--------------------------|---------------------------|
| Aircraft dealers | \$101.0 |
| Aircraft and parts | \$ 24.1 |

BAP officials stated they are unable to determine how much of these sales may have been for qualifying aircraft, or if there are aircraft-related sales that may be coded to other categories.

Officials from the **Department of Revenue** assume these provisions would have no fiscal impact to their organization but could reduce Total State Revenue by as much as \$6 million.

Officials from the **Joint Committee on Administrative Rules** assumed a previous version of this proposal would not have a fiscal impact on their organization.

ASSUMPTION (continued)

Oversight notes the total reported sales by the Department of Revenue are (\$101.0 million + \$24.1 million) = \$125.1 million. Sales tax on those amounts would be as shown below.

| <u>Fund or entity</u> | <u>Sales Tax Rate</u> | <u>Revenue Reduction</u> |
|------------------------------|-----------------------|--------------------------|
| General Revenue | 3.000% | \$3,753,000 |
| School District Trust | 1.000% | \$1,251,000 |
| Conservation Commission | 0.125% | \$156,375 |
| Parks, and Soil and Water | 0.100% | \$125,100 |
| Local Governments * | 3.700% | \$4,628,700 |

* The 3.7% average rate for local governments was computed by Oversight based on collections reported by the Department of Revenue.

Oversight notes these provisions would create a new sales and use tax exemption for the sale of aircraft to non residents, and assumes the exemption would be effective in August, 2014 (FY 2015), and would continue to have an impact in FY 2016 and FY 2017. Oversight has no information as to the number or amount of aircraft sales to nonresidents which might be included in the reported sales of aircraft dealers reported above, or which might be included in other industry categories.

For fiscal note purposes, Oversight will assume these provisions would result in a revenue reduction greater than \$100,000 per year for the General Revenue Fund, School District Trust Fund, and local governments, and the Conservation Commission Fund and the Parks, and Soil and Water Fund would have a revenue reduction less than \$100,000 per year.

ASSUMPTION (continued)

Section 144.044, RSMo. - Sales Tax Exemption for Used Manufactured Homes

Changes to these provisions would authorize an exemption from state and local sales taxes on a manufactured home which is not "new" as defined in state law.

Officials from the **Office of Administration, Division of Budget and Planning** assume these provisions would exempt from tax the sale of "used" manufactured homes. BAP officials noted according to information provided by the Missouri Manufactured Housing Association (MMHA), there were 696 "new" manufactured homes shipped to Missouri in 2012. Based on other information provided by the MMHA, BAP officials estimated the retail value of those homes as \$43.5 million.

BAP officials also stated they do not have additional data on the sales or resales of "used" manufactured homes. If sales of used homes are similar to the estimate above, then this provision might annually reduce General Revenue fund receipts by \$1.3 million, education revenues by \$0.4 million, and other state and local sales taxes accordingly.

Officials from the **Department of Revenue** assume these provisions would have no fiscal impact to their organization but would reduce Total State Revenues.

DOR officials stated in response to similar provisions in HB 1765 LR 5866-01 they collect sales tax on used manufactured homes which are moved in to Missouri from outside the state but were not able to provide information on amounts collected.

Oversight notes that DOR regulations require the payment of sales tax 100% of the sales price of a used manufactured home, but only if Missouri sales tax was not paid on that home when it was new. If Missouri sales tax was paid on that manufactured home when it was new, no sales tax is due on the sale of the used home. Oversight does not have any information as to the number or amount of transactions involved in used manufactured home sales and assumes these provisions would result in an unknown revenue reduction for the General Revenue Fund, other state funds that receive sales taxes, and for local governments for FY 2015, FY 2016, and FY 2017.

ASSUMPTION (continued)

Section 144.083 RSMo. - Statements of No Tax Due

Changes to these provisions would add withholding and income tax to the taxes which must be included in a statement of no tax due.

Officials from the **Joint Committee on Administrative Rules** assumed similar provisions in HB 1678 LR 5502-01 would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume these provisions would not result in any additional costs or savings to their organization.

BAP officials noted these provisions would require retailers to receive an income tax clearance before a retail license could be issued, effective January 1, 2018.

Officials from the **City of Kansas City** stated in response to similar provisions in HB 1678 LR 5502-01 their organization would expect to incur additional administrative costs in suspending business licenses of retail establishments unable to produce a no tax due statement from the Missouri Department of Revenue. City officials also stated the amount cannot be estimated as the City cannot predict the number of businesses that would fail to pay their Missouri income taxes.

In addition, city officials noted that a statement from the Missouri Department of Revenue that a retail sales business owes no sales taxes is a current requirement for obtaining or keeping a city business license, and these provisions would expand the no tax due statement to include Missouri income taxes. Consequently, Kansas City would expect to lose some business license tax revenue and sales tax revenue from retail sales establishments unable to operate because the businesses owe state income tax and cannot produce a no tax due statement from the Department of Revenue. The amount of revenue loss cannot be estimated at this time.

Officials from the **Department of Revenue** assume Collections and Tax Assistance would have additional customer contacts as a result of this legislation, and would require one additional Revenue Processing Technician I for additional contacts to the field offices; this technician would require CARES equipment and license.

ASSUMPTION (continued)

In response to similar provisions in HB 1678 LR 5502-01; however, DOR officials assumed the provisions would have no fiscal impact to their organization.

Oversight assumes DOR could implement these provisions with existing resources.

Officials from **Cole County**, **St. Louis County**, and the **St. Louis County Directors of Elections** assumed similar provisions in HB 1678 LR 5502-01 would have no fiscal impact on their organizations.

Oversight assumes the additional requirements that would be effective in August 2014 if these provisions are implemented are clarifications of existing DOR practices, and the income tax clearance requirement effective January 1, 2018 (FY 2018) is beyond the scope of this fiscal note. Accordingly, these provisions would have no fiscal impact.

Section 144.087, RSMo. - Sales Tax License Bonding Requirements:

Officials from the **Office of Administration - Division of Budget and Planning** noted these provisions would remove the bonding requirement for new retail licensees, and deferred to the Department of Revenue for estimated revenue impacts.

Officials from the **Department of Revenue (DOR)** noted these provisions would eliminate the requirement that a new business applying for a retail sales license file a bond with the Department of Revenue, beginning January 1, 2015. DOR officials stated in FY 2013, Business Tax Registration forfeited 3,695 bonds totaling \$3,153,894 on delinquent accounts.

Oversight notes current provisions require the Department of Revenue to return bonds posted by existing retail sales licensees after a reasonable period of satisfactory tax compliance, not to exceed two years. These provisions would, as of January 1, 2015, remove the existing requirement for a new retail licensee to post a compliance bond.

ASSUMPTION (continued)

Oversight assumes the forfeited bonds reported by the Department of Revenue were applied to delinquent sales taxes; the Department of Revenue would still be able to require a bond before reinstating the license of retailer after a default. These provisions would reduce the number and amount of bonds available to cover defaults which could potentially lead to increased losses of sales tax revenue and increased costs of collection for the Department of Revenue; however, those losses and costs would not be considered a direct impact of these provisions.

Oversight assumes existing bonds would, beginning January 1, 2015, be refunded as the licensees demonstrate satisfactory tax compliance, and new licensees would not be required to post a bond. This change would result in a net reduction of bonds posted. Since cash bonds are deposited into the General Revenue Fund, these provisions would result in a net reduction in deposits to the General Revenue Fund.

Oversight has no information regarding the number of new licensees that would be affected or the potential bond amounts that would not be collected for those new licensees and will indicate an unknown reduction in revenue to the General Revenue Fund due to the elimination of the bonding requirement.

Administrative impact

DOR officials did not indicate any administrative impact from this provision, and noted a reduction of 24,000 customer contacts per years would be required to allow the elimination of one staff position.

Oversight assumes any administrative cost to implement this provision would be minimal and could be absorbed with existing resources.

IT impact

DOR officials provided an estimate of the IT cost to implement this provision of \$1,092 based on 40 hours of programming to make changes to DOR systems.

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

ASSUMPTION (continued)

Officials from the **City of Columbia** assumed similar provisions in HB 1725 LR 5751-02 would have little or no impact on their organization.

Officials from the **Joint Committee on Administrative Rules , Cole County, St. Louis County**, the **Platte County Board of Elections**, and the **St. Louis County Directors of Elections** assumed similar provisions in HB 1725 LR 5751-02 would not have a fiscal impact on their organizations.

Sections 348.273 and 348.274, RSMo - Angel Investment Act

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume these provisions would have no impact to their organization.

BAP officials noted this provision would create the Missouri Angel Investment Incentive Act. The total amount of tax credits available for this program could reach \$66 million, with a total of \$6 million allowed each year from 2014 through 2024. BAP officials also noted there are provisions for the balance of unissued tax credits to be carried over for issuance in future years until the end of the program (December 31, 2024). BAP officials assume these provisions could reduce General and Total State Revenues by the amount of tax credits issued.

Finally, BAP officials stated this program may encourage other economic activity, but they do not have data to estimate the induced revenues and deferred to the Department of Economic Development for such an estimate.

Officials from the **Department of Economic Development (DED)** assumed there would be no fiscal impact from similar provisions in HB 1236 LR 4484-01.

ASSUMPTION (continued)

Officials from the **Department of Revenue** assume these provisions would require changes to various tax systems.

Administrative impact

DOR officials assume Personal Tax would need two additional Revenue Processing Technician I to redeem tax credits, one additional Revenue Processing Technician I for tax credit transfers, and one Revenue Processing Technician I for compliance mailing and correspondence. Each technician would require CARES system equipment and license.

The DOR cost estimate to implement these provisions including four additional employees with related benefits, equipment, and expense totaled \$167,217 for FY 2015, \$165,419 for FY 2016, and \$167,141 for FY 2017.

Oversight assumes DOR could absorb the responsibilities of this tax credit with existing resources. Should DOR experience the increase in workload which would justify additional employees, those resources could be requested through the budget process.

IT impact

DOR officials provided an estimate of the IT cost to implement these provisions of \$22,722 based on 840 hours of programming to make changes to DOR systems.

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

Section 546.902, RSMo. - Fourth Class County Ordinances:

These provisions would allow certain fourth-class cities to enact ordinances.

Officials from the **City of Kansas City**, the **City of Lee Summit** and the **City of Sugar Creek** assumed no fiscal impact to their respective organizations from similar provisions in HB 1829 LR 5878-02.

ASSUMPTION (continued)

Officials from the **City of Grandview**, the **City of Independence**, the **City of Raytown** and **Jackson County** did not respond to our request for information on similar provisions in HB 1829 LR 5878-02.

Oversight assumes these provisions would have no fiscal impact on the state or on local governments.

Section 620.1650, RSMo. - Missouri Startup Cloud Program

Officials from the **Department of Economic Development (DED)** assumed similar provisions in HCS for HB 1559 LR 5546-02 would require DED to create a Missouri Capital Exchange program. DED officials noted the provisions would require DED to create a website which would allow financing providers to post any available financial products or services that assist Missouri businesses free of charge. DED would only have 90 days to complete this website, or it would need to contract with an outside agency. DED assumes the costs of the website would result in a negative impact ranging from \$0 - \$128,000.

Oversight assumes DED would be able to absorb the cost of creating the website required by this provisions. Should the Department decide to award a contract for development of the exchange website, the website developer would be responsible for all related costs per the requirements of these provisions. Oversight assumes there would be no fiscal impact from this provision.

Officials from **Department of Revenue** assume these provisions would not have an impact on their organization.

Officials from the **Joint Committee on Administrative Rules** assumed there would be no fiscal impact to their organization from similar provisions in HCS for HB 1559 LR 5546-02.

Section 620.1915, RSMo - Missouri International Business Advertising Fund:

Officials from **Department of Revenue** assume these provisions would not have an impact on their organization.

ASSUMPTION (continued)

Officials from the **Department of Economic Development, Office of Administration - Division of Budget and Planning**, the **Office of State Treasurer**, and the **University of Missouri** assumed there would be no fiscal impact to their organization from similar provisions in HB 1055 LR 4622-01.

Oversight assumes these provisions would create a new state fund for the purpose of advertising for international businesses to locate to Missouri. Oversight assumes the fund would use all the funding its receives to advertise according to these provisions and there would be no net fiscal impact to the state or to local governments.

Section 620.2700, RSMo. - Early State Business Development Corporation

In response to similar provisions in HB 1495 LR 5283-04, officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed the provisions would not fiscally impact BAP. These provisions would implement a process for designating Early Stage Business Development Corporations in the state and would direct the state to pay a total of \$9 million annually for four consecutive fiscal years to these corporations beginning in FY 2015. BAP officials stated these provisions would not impact Total State Revenue; however, it could increase General Revenue expenditures, subject to appropriation. BAP officials noted these provisions may encourage economic activity, but BAP does not have data to estimate induced revenues.

Officials from the **Department of Economic Development (DED)** assumed similar provisions in HB 1495 LR 5283-04, would have a negative impact ranging from \$0 - \$9 million dollars; however, since this is subject to appropriation, DED officials assumed no impact until such approval has been met. Once the appropriation has been made DED assumes that the Missouri Technology Corporation (MTC) would need one additional FTE to administer the program. The new employee would be an Economic Development Incentives Specialist and would be responsible for reviewing applications of the Early State Business Development Corporations, approving applications, creating program guidelines, and distribution of appropriated funds.

Officials from **Department of Revenue** assume these provisions would not have an impact on their organization.

ASSUMPTION (continued)

Officials from the **University of Missouri** assumed similar provisions in HB 1495 LR 5283-04, could have a positive fiscal impact particularly in the areas of faculty start up companies.

Oversight assumes the creation of the new program outlined in these provisions may have a positive impact on the state. However, Oversight considers this to be an indirect impact of the provisions and will not reflect it in this fiscal note.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional employee to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted the DED estimate of equipment and expense in accordance with OA budget guidelines.

Bill as a whole responses

Officials from the **Office of the Secretary of State (SOS)** assume 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 Secretary of State's Office 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, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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 comments

Oversight notes the revenue reduction for the School District Trust Fund would result in reduced transfers to local school districts but will not include those transfers in this fiscal note.

| <u>FISCAL IMPACT - State Government</u> | FY 2015 (10 Mo.) | FY 2016 | FY 2017 |
|--|---|---|---|
| GENERAL REVENUE FUND | | | |
| <u>Revenue reduction</u> - Sales tax exemption on aircraft Section 144.030 | (More than \$100,000) | (More than \$100,000) | (More than \$100,000) |
| <u>Revenue reduction</u> - Sales tax exemption on used manufactured homes Section 144.044 | (Unknown) | (Unknown) | (Unknown) |
| <u>Revenue reduction</u> - Sales tax compliance bonds not required Section 144.087 | (Unknown) | (Unknown) | (Unknown) |
| <u>Revenue Reduction</u> - Missouri Angel Investment Incentive tax credit Sections 348.273 and 348.274 | \$0 to (\$6,000,000) | \$0 to (More than \$6,000,000) | \$0 to (More than \$6,000,000) |
| <u>Revenue Reduction</u> - money for early stage business development corporations Section 620.2700 | \$0 to (\$9,000,000) | \$0 to (\$9,000,000) | \$0 to (\$9,000,000) |
| <u>Cost</u> - Missouri Technology Corporation - for FTE and expenses Section 620.2700 | <u>(\$54,400)</u> | <u>(\$62,583)</u> | <u>(\$63,267)</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | (Could exceed <u>\$15,154,400</u>) | (Could exceed <u>\$15,162,583</u>) | (Could exceed <u>\$15,163,267</u>) |

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.

| | | | |
|--|---------------------|---------|---------|
| <u>FISCAL IMPACT - State Government</u> (Continued) | FY 2015 (10 Mo.) | FY 2016 | FY 2017 |
|--|---------------------|---------|---------|

**CONSERVATION COMMISSION
 FUND**

| | | | |
|--|--------------------------|--------------------------|--------------------------|
| <u>Revenue reduction</u> - Sales tax exemption on aircraft Section 144.030 | (Less than \$100,000) | (Less than \$100,000) | (Less than \$100,000) |
|--|--------------------------|--------------------------|--------------------------|

| | | | |
|---|------------------|------------------|------------------|
| <u>Revenue reduction</u> - Sales tax exemption on used manufactured homes Section 144.044 | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
|---|------------------|------------------|------------------|

| | | | |
|---|--|--|--|
| ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND | <u>(Less than \$100,000 to Unknown)</u> | <u>(Less than \$100,000 to Unknown)</u> | <u>(Less than \$100,000 to Unknown)</u> |
|---|--|--|--|

**PARKS, AND SOIL AND WATER
 FUND**

| | | | |
|--|--------------------------|--------------------------|--------------------------|
| <u>Revenue reduction</u> - Sales tax exemption on aircraft Section 144.030 | (Less than \$100,000) | (Less than \$100,000) | (Less than \$100,000) |
|--|--------------------------|--------------------------|--------------------------|

| | | | |
|---|------------------|------------------|------------------|
| <u>Revenue reduction</u> - Sales tax exemption on used manufactured homes Section 144.044 | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
|---|------------------|------------------|------------------|

| | | | |
|---|--|--|--|
| ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND | <u>(Less than \$100,000 to Unknown)</u> | <u>(Less than \$100,000 to Unknown)</u> | <u>(Less than \$100,000 to Unknown)</u> |
|---|--|--|--|

| <u>FISCAL IMPACT - Local Government</u> | FY 2015 (10 Mo.) | FY 2016 | FY 2017 |
|---|--|--|--|
| LOCAL GOVERNMENTS | | | |
| <u>Revenue reduction</u> - Sales tax exemption on aircraft Section 144.030 | (More than \$100,000) | (More than \$100,000) | (More than \$100,000) |
| <u>Revenue reduction</u> - Sales tax exemption on used manufactured homes Section 144.044 | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS | (More than \$100,000 to <u>Unknown</u>) | (More than \$100,000 to <u>Unknown</u>) | (More than \$100,000 to <u>Unknown</u>) |

FISCAL IMPACT - Small Business

This proposal would have an impact on small businesses which are located near the Kansas border, which sell aircraft, which buy or sell used manufactured homes, which own or invest in new businesses, which are involved with international business, or are subject to sales tax requirements.

FISCAL DESCRIPTION

This proposal would implement a number of changes to business taxation and economic incentive programs.

Section 135.1670, RSMo. would prohibit the Department of Economic Development from issuing tax credits for the BUILD Program, New and Expanding Business Facility Program and the MO Works Program to businesses relocating from a Kansas border county to a Missouri border county, if the state of Kansas enacts similar prohibitions.

FISCAL DESCRIPTION (continued)

Changes to Section 144.030, RSMo. would create a sales tax exemption for sales of aircraft to non-state residents.

Changes to Section 144.044, RSMo. would authorize an exemption from state and local sales taxes on a manufactured home which does not qualify as "new" as defined in state law.

Changes to Section 144.083, RSMo. would add withholding and income tax to the taxes which must be included in a statement of no tax due.

Changes to Section 144.087, RSMo. would remove the bonding requirement for new retail licensees.

Sections 348.273 and 348.274, RSMo. would implement the Missouri Angel Investment Incentive Act. The program would be administered by the regional Missouri Small Business and Technology Development Centers. The primary goal of the act is to encourage individuals to provide seed-capital financing for emerging Missouri businesses engaged in the development, implementation, and commercialization of innovative technologies, products, and services. The program would provide tax credits for qualified investments in these businesses.

Changes to Section 546.902, RSMo. would allow certain fourth-class cities to enact ordinances.

Section 620.1650, RSMo. would require the Department of Economic Development (DED) to create a Missouri Capital Exchange program. DED would create a website which would allow financing providers to post any available financial products or services that assist Missouri businesses free of charge.

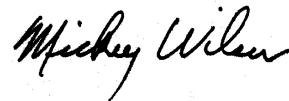
Section 620.1915, RSMo. would create a new state fund for the purpose of advertising for international businesses to locate to Missouri.

Section 620.2700, RSMo. would implement a process for designating Early Stage Business Development Corporations in the state and would direct the state to pay a total of \$9 million annually for four consecutive fiscal years to these corporations beginning in FY 2015.

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

Office of the Secretary of State
Office of State Treasurer
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Economic Development
Department of Revenue
University of Missouri
Cass County
Clay County
Cole County
Jackson County
Platte County
St. Louis County
City of Columbia
City of Kansas City
City of Lee Summit
City of Sugar Creek
Platte County Board of Elections
St. Louis County Directors of Elections



Mickey Wilson, CPA
Director
April 30, 2014

Ross Strobe
Assistant Director
April 30, 2014