

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5819-02
Bill No.: SB 912
Subject: Economic Development; Department of Economic Development; Science and Technology; Tax Credits
Type: Original
Date: March 25, 2014

Bill Summary: This proposal modifies provisions relating to the Missouri Technology Corporation and creates a tax credit for donations to it.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue*	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

*Transfer In and costs net to zero.

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.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Mo Technology Investment Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* Revenue and costs net to zero.

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 7 pages.

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	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal would not fiscally impact BAP. This proposal creates a tax credit to contributors to the Missouri Technology Corporation (MTC). This tax credit is revenue neutral to the state because MTC will pay the state the amount of the tax credits issued. There is a positive and negative impact to Total State Revenue, which nets to \$0.

This also removes the Missouri Science and Innovation Reinvestment Act (MOSIRA) from statute, as it was invalidated by the Missouri Supreme Court.

Officials at the **Department of Revenue (DOR)** assume this proposal would require computer programming changes to various tax systems. The IT portion is estimated at \$22,932 for 840 FTE hours.

DOR's Personal Tax Division will require one (1) Revenue Processing Technician I for every 6,000 credits. DOR's Corporate Tax Division will require three (3) Revenue Processing Technicians I for credit redemption, tax credit transfers, and compliance mailings and correspondence. Each technician will require CARES equipment and license.

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

Oversight assumes that due to a limited number of individuals that may take advantage of this program that DOR could absorb the duties of this bill with existing staff. Should the number of individuals taking advantage of the credit exceed expectations DOR could request additional funding through the appropriation process.

Officials at the **Department of Economic Development**, the **Joint Committee on Administrative Rules**, the **Office of the Governor**, the **Office of State Treasurer** and the **Office of the State Auditor** each assume there is no fiscal impact to their respective organizations from this proposal.

Officials at the **University of Missouri** assume an unknown positive impact in the areas of technology transfer and research and economic development.

ASSUMPTION (continued)

Officials at the **Missouri State Employees' Retirement System (MOSERS)** assume this proposal would allow future MO Technology Corporation employees to participate in MOSERS for retirement. It would not have a fiscal impact on the current retirement obligation of the system.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state an unknown reduction of premium tax revenues as a result of the creation of the Missouri Technology Corporation tax credit is possible. 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.

DIFP will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Officials from the **Office of the Secretary of State (SOS)** state 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 SOS 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, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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 assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

ASSUMPTION (continued)

Oversight assumes that §348.265.1 requires payment from the MO Technology Corporation equal to the amount of the value of the tax credit prior to the issuance of the credit. Oversight assumes that this proposal would not impact Total State Revenue since payment is owed prior to the credit being issued. Oversight will indicate the money raised per this proposal will be spent by the MO Technology Corporation according to this proposal and therefore the MO Technology Investment Fund will net to zero.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Transfer In</u> - payment with application from MO Tech Corp	Unknown	Unknown	Unknown
<u>Cost</u> - tax credit equal to payment received with application	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
MISSOURI TECHNOLOGY INVESTMENT FUND			
<u>Additional Revenue</u> - money from donors	Unknown	Unknown	Unknown
<u>Transfer Out</u> - half the money from donors to General Revenue for payment of the tax credit	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - half the money from donors to pay for approved projects	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON MISSOURI TECHNOLOGY INVESTMENT FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</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 - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that qualify for the credit would be impacted.

FISCAL DESCRIPTION

This act reenacts and modifies provision of law enacted by Senate Bill 7 from the First Extraordinary Session of 2011 which was subsequently held unconstitutional by the Missouri Supreme Court in Missouri Roundtable for Life, Inc. v. State (2013). Senate Bill 7 modified the powers and duties of the Missouri Technology Corporation (MTC).

The act removes the requirement that the MTC include information about growth of science and innovation research in the state in its annual report. Provisions exempting the MTC from certain taxes are repealed. The act removes the requirement that an executive committee and an audit committee be formed by the MTC. Provisions specifying the composition and duties of the Research Alliance of Missouri are repealed.

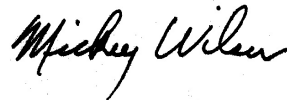
The Missouri Science and Innovation Reinvestment Fund is renamed the Missouri Technology Investment Fund. The requirement for an annual appropriation to the fund is eliminated.

The act creates a tax credit equal to 50% of a donation to the MTC. The tax credit is non-refundable but is transferable and may be carried forward 4 years. The Department of Economic Development must receive from the MTC an amount equal to the tax credit before the tax credit is issued.

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 Insurance, Financial Institutions and Professional Registration
Department of Revenue
Joint Committee on Administrative Rules
Missouri State Employees' Retirement System
Office of Administration
 Division of Budget and Planning
Office of the Governor
Office of the Secretary of State
Office of the State Auditor
Office of State Treasurer
University of Missouri



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March 25, 2014

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