COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1525-02
Bill No.: SB 284
Subject: Economic Development; Economic Development Department
Type: Original
Date: February 27, 2015

Bill Summary: This proposal creates the Manufacturing Infrastructure Investment Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	$0 to (Unknown greater than $15,000,000)	$0 to (Unknown greater than $15,000,000)	$0 to (Unknown greater than $15,000,000)
Total Estimated Net Effect on General Revenue	**$0 to (Unknown greater than $15,000,000)**	**$0 to (Unknown greater than $15,000,000)**	**$0 to (Unknown greater than $15,000,000)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning** (**BAP**) assume this proposal will allow qualified manufacturing companies and suppliers to retain 50% to 100% of their withholding taxes if they are able to manufacture new products, modify or expand the manufacture of current products, or create new jobs for a period of three to five years.

The retention of the withholding taxes is capped at $10,000,000 per qualified company, and $15,000,000 total per calendar year, beginning 1/1/2016. Therefore, General and Total State Revenues may be reduced annually by this amount as early as FY 2017, with a reduction of approximately half this amount in FY 2016.

However, if companies are already receiving certain tax credits provided by the state, including the Missouri Works Job Training Program, the Real Property Increment Allocation Redevelopment Act, and the Missouri Downtown and Rural Economic Stimulus Act, they may not simultaneously receive the benefits awarded in this proposal. This could decrease the pool of qualified companies.

Officials at the **Department of Economic Development (DED)** assume §620.1930 creates the Manufacturing Infrastructure Investment Act (MIIA). MIIA, allows a manufacturing company or supplier to retain up to 100% of its withholding tax if they commit to make a capital investment of at least $75,000 per retained job, adds five or more new jobs, and meets certain wage and employee benefit requirements.

A qualified manufacturing company that manufactures a new product may retain 100% withholding tax from full-time jobs at the facility for up to ten years. A qualified manufacturing company that modifies or expands the manufacture of an existing product may retain 50% of withholding tax from full-time jobs for up to seven years.

The aggregate cap for the program is $15 million with a cap of $10 million per qualified manufacturing company.

DED assumes a negative fiscal impact ranging from $0-$15 million offset by unknown positive economic activity as a result of this proposal.

Officials at the **Joint Committee on Administrative Rules** and the **Department of Revenue** each assume no fiscal impact from this proposal to their respective organizations.

ASSUMPTION (continued)

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.

Oversight assumes the program in this proposal would have a positive impact on the state. However, Oversight considers this to be indirect impact of the proposal and will not reflect it in the fiscal note.

Oversight assumes this proposal allows a qualified manufacturing company to retain 50% (or 100% if manufacturing a new product) of withholding tax that shall not exceed $10,000,000 per calendar year with an annual aggregate cap of $15,000,000. This proposal also allows qualified suppliers to retain all withholding tax for a period of three years but, does not have a cap. Therefore, Oversight will show the fiscal impact as $0 to (Unknown greater than $15,000,000).

FISCAL IMPACT - State Government	FY 2016 (6 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
Revenue Reduction - creation of the Manufacturing Infrastructure Investment Act - qualified suppliers	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Revenue Reduction - creation of the Manufacturing Infrastructure Investment Act - qualified manufacturers	($0 to $15,000,000)	($0 to $15,000,000)	($0 to $15,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0 to (Unknown greater than $15,000,000)**	**$0 to (Unknown greater than $15,000,000)**	**$0 to (Unknown greater than $15,000,000)**

FISCAL IMPACT - Local Government	FY 2016 (6 Mo.)	FY 2017	FY 2018
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses that qualify for this program could be positively impacted by retaining employee withholding taxes.

FISCAL DESCRIPTION

This act establishes the Manufacturing Infrastructure Investment Act which allows qualified suppliers or manufacturing companies that create or retain Missouri jobs to retain employee withholding taxes for a period of years. The total amount of withholding taxes retained by any one qualified company under the program is limited to no more than ten million dollars annually. The aggregate amount of retained withholding taxes authorized under the program cannot exceed fifteen million dollars per year.

For a manufacturer of a new product to qualify for an incentive, it must make a capital investment of at least $75,000 per full-time employee retained at the facility within two years from the date such manufacturing company begins to retain withholding taxes. Where a manufacturing company modifies or expands the manufacture of an existing product, such

FISCAL DESCRIPTION (continued)

company must commit to make a capital investment of at least $50,000 per retained job within two years from the date such manufacturing company begins to retain withholding taxes.

For a supplier to be eligible for incentives under the act, it must derive more than 10% of its total annual revenues from sales to a qualified manufacturing company, add five or more new jobs, pay wages for new jobs that are equal to or exceed the lower of the county average wage or the industry average wage for Missouri but are not less than sixty percent of the statewide average wage, and provide health insurance to employees and pay at least 50% of the insurance premiums.

The Department must submit an annual report on the program to the General Assembly by March first of each year. The report must provide participating facilities and suppliers, the amount of benefits provided, the net state fiscal impact, and the number of new and retained jobs.

The provisions of the act will expire six years from the effective date.

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 Administration's Division of Budget and Planning
Joint Committee on Administrative Rules
Department of Revenue
Department of Economic Development
Office of the Secretary of State

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SJ:LR:OD