

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4514-08  
Bill No.: Truly Agreed To and Finally Passed CCS for HCS for SCS for SB 861  
Subject: Aircraft and Airports; Boats and Water craft; Economic Development; Economic Development Department; Lakes, Rivers and Waterways; Tax Credits  
Type: Original  
Date: June 8, 2016

Bill Summary: This proposal modifies provisions relating to tax incentives

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$551,972) or (Could exceed \$864,972)	(\$108,792) or (Could exceed \$6,796,792)	(\$109,838) or (Could exceed \$797,838)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$551,972) or (Could exceed \$864,972)</b>	<b>(\$108,792) or (Could exceed \$6,796,792)</b>	<b>(\$109,838) or (Could exceed \$797,838)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Port Authority AIM Zone*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Revenues and costs net to zero.

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 18 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	2 FTE	2 FTE	2 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Local Government*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Transfers In and Costs net to zero.

## FISCAL ANALYSIS

### ASSUMPTION

#### §68.075

Officials at the **Office of the State Treasurer (STO)** assume this bill would result in a fiscal impact, specifically the language found in §68.075.5. Concerning this language for direct fund administration, STO does not currently undertake this type of responsibility so STO would require the hiring of additional personnel. We estimate this would require an additional 1.5 FTE (.5 FTE Accountant I and 1 FTE Account Clerk II).

FY 17: \$98,867.13

FY 18: \$78,519.55

FY 19: \$79,304.74

These costs would be from General Revenue.

**Oversight** assumes the responsibilities outlined in this section can be handled with 1 FTE Account Clerk II. Should STO see an increase in duties to justify additional FTE, they can seek that FTE through the appropriation process.

**Oversight** has, for fiscal note purposes only, changed the starting salary for the Account Clerk II (\$25,152) 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 over the last six months and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Officials at the **Department of Revenue** assume this legislation authorizes a port authority to establish an "Advanced Industrial Manufacturing Zone." Additionally, the proposed legislation allowed for a deposit to the fund created in Subsection 5 of 50 percent of the state tax withholdings imposed by Sections 143.191 to 143.265 attributed to new jobs created in the zone. Subsection 5 created the Port Authority AIM Zone Fund consisting of money collected under this section. The port authority approves projects, distributes money, and submits a budget to the Department of Economic Development. The proposal prohibits debt from being incurred using AIM zone revenue after August 28, 2023.

This section requires new forms be developed to be submitted with Form 941s to substantiate the amount of employment tax not remitted to General Revenue. The Department reconciles what the taxpayer reports on the Form W-2 to the actual remittance to the state.

ASSUMPTION (continued)

Officials at **Office of Administration's Division of Budget and Planning (BAP)** assume the proposal creates Advanced Industrial Manufacturing (AIM) Zones within port authorities. Fifty percent (50%) of the state tax withholdings on any new jobs created in these AIM zones will be deposited into the Port Authority AIM Zone Fund instead of being deposited into general revenue.

This proposal would also create the Port Authority AIM Zone Fund in the state treasury. Monies are collected from 50% of the state tax withholdings on new jobs created within Port Authority AIM zones and will be used by the port authorities to continue to expand, develop, and redevelop identified AIM zones. BAP does not have any data to estimate the amount of state tax withholdings that may be deposited into the fund.

The proposal would not impact current General and Total State Revenues, but future General Revenues may be forgone.

Officials at the **Department of Economic Development (DED)** assume for every new job created in the AIM zone, 50% of state tax withholdings imposed by §143.191-143.265 shall not be remitted to the general fund but shall be put into the Port Authority AIM Zone Fund to be used by the board of commissioners for managerial, engineering, legal, research, promotion, planning, satisfaction of bonds, and any other expenses.

DED is only mentioned as the agency to which the annual budget is submitted. DED has no mechanism to calculate the estimated impact of this section on the general revenue.

§68.120 explains how commissioners will be added to the Mid-America port commission.

**Oversight** notes §68.075 of this proposal creates the Advanced Industrial Manufacturing Zones Act. This also creates the Port Authority AIM Zone Fund. It requires "fifty percent of the state tax withholdings" to go directly to the new fund created in this proposal. Oversight will assume a loss to General Revenue of the withholding tax and a gain to the Port Authority AIM Zone Fund of the withholding tax. Since there is no way to determine if additional jobs will come to these regions, Oversight will reflect the impact as \$0 (no new jobs created) to Unknown.

§143.2100, §143.2105, §143.2110 and §143.2115

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal also creates a series of deductions for taxpayers and facilities using Missouri's ports, rail, and air transportation systems that can be claimed each calendar year beginning January 1,

ASSUMPTION (continued)

2017 and ending December 31, 2022.

§143.2105 provides a deduction that can be claimed by certain taxpayers who manufacture or distribute goods using the state's water port facilities or airports. No one taxpayer may claim more than \$250,000 in deductions per calendar year, and no more than \$3,500,000 may be deducted per calendar year.

§143.2110 provides a deduction for qualifying international trade facilities. There is a cap on the deductions of \$2,000,000 per fiscal year.

§143.2115 provides a deduction equal to either \$3,500 per qualified full-time employee resulting from increased qualified trade activities by the taxpayer or an amount equal to 2% of the capital investment made by the taxpayer to facilitate increased qualified trade activities. Both deductions may not be claimed by a single taxpayer in one calendar year. No more than \$500,000 in these deductions can be claimed in a single fiscal year.

Assuming a 6% income tax rate, these combined deductions of \$6,000,000 could therefore negatively affect General and Total State Revenues up to \$360,000 annually, beginning FY18 and ending in FY23.

The impacts may vary in the future due to the impact of SB 509 (2014).

This program may encourage other economic activity, but BAP does not have the data to estimate the induced revenues.

Officials at the **Department of Economic Development (DED)** assumed §143.2100 requires a biannual report on the deductions claimed under this legislation.

§143.2105 a taxpayer engaged in the manufacturing of goods or the distribution of manufactured goods that uses water port facilities or airports in this state and increases its port cargo volume at these facilities by a minimum of five percent in a single calendar year over its base year port cargo volume shall be allowed to claim a deduction. The annual cap of the deduction is \$3.5 million. \$3,500,000 in deductions is equal to \$210,000 in General Revenue.

§143.2110 a company that is an international trade facility shall be allowed a twenty-five-dollar deduction per TEU or equivalent of noncontainerized cargo moved by airplane, barge, or rail. The annual cap of the deduction is \$2 million. \$2,000,000 in deductions is equal to \$120,000 in General Revenue.

ASSUMPTION (continued)

§143.2115 a taxpayer satisfying the requirements of this section shall be allowed to claim a deduction in an amount equal to either three thousand five hundred dollars per qualified full-time employee that results from increased qualified trade activities by the taxpayer or an amount equal to two percent of the capital investment made by the taxpayer to facilitate the increased qualified trade activities. The annual cap of the deduction is \$500,000. \$500,000 in deductions is equal to \$30,000 in General Revenue.

The total General Revenue impact for these deductions is negative \$360,000 assuming the cap is met for each deduction. DED will need to hire 1 FTE, an Economic Development Incentive Specialist III, to administer these new programs.

**Oversight** assumes the duties outlined in this proposal can be handled by current staff. Should DED see an increase in responsibilities to justify additional FTE, they can seek that FTE through the appropriation process.

Officials at the **Department of Revenue (DOR)** assume §143.2100-143.2105 allows taxpayers engaged in manufacturing goods or distributing manufactured goods using port facilities or airports that increase their port cargo by at least five percent are eligible to claim a deduction in an amount determined by the Department of Economic Development. The maximum deduction in a given fiscal year is \$3.5 million.

§143.2110 allows an international trade facility a deduction of \$25 per TEU (20-foot equivalent unit) or 16 tons of non-containerized cargo moved by barge or rail rather than truck or other motor vehicle. The maximum deduction in a given fiscal year is \$2 million.

§143.2115 allows a taxpayer meeting the requirements of this section a deduction of \$3,500 per qualified full-time employee that results from increased qualified trade activities or two percent of the capital investment made by the taxpayer to facilitate the increased qualified trade activities. Deductions under this section cannot exceed \$500,000 in any fiscal year.

The Integrated Tax System incurs additional costs of \$245,981 to implement the provisions of this legislation.

Personal Tax requires two Revenue Processing Technicians I for error correction and correspondence. Corporate Tax requires two Revenue Processing Technicians I for error correction and correspondence.

Collections and Tax Assistance will see additional customer contact on these deductions, notice

ASSUMPTION (continued)

of adjustments and billing notices. Collections & Tax Assistance requires one Tax Collection Technician for every additional 15,000 contacts annually on the non-delinquent tax line with CARES equipment and one Tax Collection Technician for every additional 15,000 contacts annually on the delinquent tax line with CARES equipment.

**Oversight** assumes the duties outlined under this section can be handled by current staff. Should DOR see an increase in responsibilities to justify additional FTE, they can seek those FTE through the appropriation process.

**Oversight** assumes §143.2105, §143.2110 and §143.2110 of this proposal creates three new tax deductions; 1. increased cargo volume with an annual cap of \$3,500,000 (§143.2105), 2. international trade facility with an annual cap of \$2,000,000 (§143.2110), and 3. increased qualified trade with an annual cap of \$500,000 (§143.2115). Each of these tax deductions begin on January 1, 2017; a taxpayer would not be able to claim this tax deduction on their tax return until January 1, 2018. Therefore, Oversight will show the fiscal impact as \$0 (no deductions claimed) to the annual cap for each deduction beginning in FY18.

Based on a corporate tax rate of 6.25 percent, the following deduction would have the full maximum fiscal impact:

<u>Section</u>	<u>Deduction</u>	<u>Tax</u>
§143.2105	\$3,500,000	\$218,750
§143.2110	\$2,000,000	\$125,000
§143.2110	\$500,000	\$ 31,250

§227.600

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this legislation also changes the definition of "project" in the Missouri Public-Private Partnerships Transportation Act (§227.600 to 227.669) to include port facilities, water facilities, water ways, fuel supply facilities or pipelines, water supply facilities or pipelines, public works, wastewater or wastewater treatment facilities, public buildings, vehicle parking facilities, mass transit facilities, and similar facilities currently available for government entities for public use. This will extend the Missouri Highways and Transportation Commission's ability to establish a public/private partnership with these facilities for government use. The commission may impose user fees/tolls for these projects to be collected by the private partner to reimburse costs associated with building the facilities. The proposal also states that all financing for the projects shall be determined and agreed upon by the commission and the private partner. This portion of the legislation should have no direct impact on General or Total State Revenues.

ASSUMPTION (continued)

§143.1100

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal creates the Bring Jobs Home Act, which establishes a deduction against individual and corporate income taxes for eligible relocation expenses. The program has a deduction cap of \$5M annually. Since deductions do not reduce taxes on a dollar-for-dollar basis, BAP multiplied the deduction cap of \$5M by the corporate tax rate; therefore, it is estimated that this proposal will decrease Total State Revenues and General Revenues by up to \$313,000 annually beginning in FY 17. The numbers may vary in the future due to the impact of SB 509 (2014).

**Oversight** assumes for fiscal note purposes the BAP estimate of fiscal impact is the best available estimate. Oversight will indicate a range from \$0 (no relocated businesses) to \$313,000 (relocating businesses spend at least \$5 million in eligible costs) in this fiscal note.

Officials from the **Department of Economic Development** assume the legislation also creates the Bring Jobs Home Act. It adds 143.1100 to chapter 143.

§143.1100.3 - Beginning January 1, 2016 allows a taxpayer a deduction equal to 50% of their eligible insourcing expenses in the taxable year chosen. The amount of the deduction cannot exceed the adjusted gross income for an individual claiming or, for corporations, the taxable income.

§143.1100.2(5) "Eligible insourcing expenses":

- (a) Eligible expenses paid or incurred by the taxpayer in connection with the elimination of any business unit of the taxpayer or of any member of any expanded affiliated group in which the taxpayer is also a member located outside the state of Missouri; and
- (b) Eligible expenses paid or incurred by the taxpayer in connection with the establishment of any business unit of the taxpayer or of any member of any expanded affiliated group in which the taxpayer is also a member located within the state of Missouri if such establishment constitutes the relocation of the business unit so eliminated.

§143.1100.4 - however, if their insourcing expenses exceed their taxable income, the amount of the deduction can be carried over for 5 succeeding taxable years until full deduction is claimed.

§143.1100.7 - the total amount authorized shall not exceed \$5M/year.

§143.1100.10 - DED shall promulgate rules to implement.



ASSUMPTION (continued)

§143.1100.11 - sunsets six years after effective date.

The total impact will be negative \$5M/year and DED will have to hire one FTE to administer this program.

**Oversight** assumes the duties outlined in this proposal can be handled by current staff. Should DED see an increase in responsibilities to justify additional FTE, they can seek that FTE through the appropriation process.

Officials from the **Department of Revenue (DOR)** assume beginning January 1, 2016, the legislation allows a taxpayer a deduction of 50 percent of eligible in-sourcing expenses. For individuals, the deduction may not exceed the Missouri adjusted gross income for the tax year the taxpayer claims the deduction but may be carried forward five tax years. For corporations, the deduction may not exceed the taxpayer's Missouri taxable income for the tax year the taxpayer claims the deduction but may be carried forward five tax years. The Department of Economic Development must verify that the number of full-time equivalents increases over the last taxable year. If the taxpayer eliminates the business within 10 years of receiving the deduction, the taxpayer must repay an amount equal to the amount of tax savings realized from the deduction. The legislation authorizes deductions of up to \$5 million in a tax year. If the deductions exceed this amount, the legislation requires deductions be issued on a first-come, first-serve basis.

The Department requires form changes and programming at a cost of \$37,584. The integrated tax system requires programming costs of \$148,964 to modify the Corporate Tax system. DOR requests a total of \$186,548 in programming costs.

Personal Tax requires two Revenue Processing Technicians I for error correction and correspondence. Corporate tax requires three Revenue Processing Technicians I for returns, error correction, and correspondence.

**Oversight** notes this proposal would change a limited number of computations on individual and corporate income tax returns and would not be expected to have an impact on the number of returns filed. Oversight also notes a significantly high percentage of income tax returns are prepared online, electronically, or by paid preparers. Oversight assumes there would not be a significant number of additional errors resulting from the changes in this proposal; and therefore assumes existing DOR staffing would be adequate to implement this proposal. If unanticipated additional costs are incurred or if multiple proposals are implemented that increase DOR costs or the workload for DOR employees, resources could be requested through the budget process.

ASSUMPTION (continued)

§447.708

Officials at the **Department of Economic Development (DED)** assume this legislation amends §447.708, commonly known as the Brownfield Tax Credit Program, by adding that in any county of the first classification that has a charter form of government and that has a population of over nine hundred thousand inhabitants, all demolition costs incurred during the redevelopment of any former automobile manufacturing plant shall be allowable costs eligible for tax credits under §447.700 to §447.718. For purposes of this subsection, "former automobile manufacturing plant" means a redevelopment area that qualifies as an eligible project under §447.700, that consists of at least one hundred acres, and that was used primarily for the manufacture of automobiles but, after 2007, ceased such manufacturing.

Essentially, this proposal is adding a new use for the Brownfield Tax Credit. This program has no statutory annual cap.

DED estimates the demolition of the concrete at the Fenton Chrysler plant to be \$6,000,000 plus any other projects that may qualify in the future.

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal would expand the tax credit programs authorized in §447.700 to §447.718, RSMo, to cover all demolition costs incurred during the redevelopment of any former automobile manufacturing plant in a specified county.

There is no cap on the tax credits and BAP does not have enough available data to determine the costs associated with the demolition; therefore, this proposal could lower general and total state revenues by an unknown amount. The Department of Economic Development may have an estimate for the total costs that may be incurred for site demolition.

This proposal may encourage other economic activity. BAP cannot estimate the induced revenues.

Officials at the **Department of Revenue (DOR)** assume §447.708 adds subsection 12, authorizing a tax credit for all demolition costs during the redevelopment of a former automobile manufacturing plant in St. Louis County.

Personal Tax requires one Revenue Processing Technician I for every 6,000 tax credits claimed. Corporate Tax requires one Revenue Processing Technician I for every 6,000 tax credits claimed.

**Oversight** assumes the duties outlined in this proposal can be handled with current staff. Should

ASSUMPTION (continued)

DOR see an increase in tax credit redemptions to justify additional FTE, they can seek those FTE through the appropriation process.

In response to similar legislation filed this year (HB 2225), officials at the **Department of Natural Resources** and **St. Louis County** each assumed no fiscal impact from this proposal to their respective organizations.

**Oversight** assumes this proposal allows all demolition costs incurred during the redevelopment of any former automobile manufacturing plant to be eligible for tax credits. Oversight notes DED has provided information and estimated demolition costs could exceed \$6,000,00, therefore, Oversight will show the fiscal impact as \$0 (no company applies for demolition costs) to Could Exceed \$6,000,000 in FY 2017 only as there is only one company that could apply for this credit.

The Brownfield Remediation Tax Credit provides an incentive to businesses/developers to redevelop property contaminated with hazardous wastes. The requirements for this tax credit are properties that are abandoned or underutilized for at least three years. Projects must create 10 new jobs or retain 25 jobs. Projects can receive a tax credit of up to 100% of eligible remediation costs. This program requires the project to enroll in the Department of Natural Resources (DNR) Voluntary Cleanup Program. Projects receive 75% of the credit upon payment of remediation costs and the remaining 25% upon issuance of DNR's 'clean letter'.

Bill As A Whole

In response to a previous version, officials at the **Department of Revenue (DOR)** assumed the overall impact of this proposal will require form changes and programming support. The Integrated Tax System incurs costs of \$432,529 to implement the provisions of this legislation.

DOR is also requesting 13 additional FTE.

**Oversight** assume DOR's Personal and Corporate Tax Divisions could absorb the responsibilities of these tax deductions with existing resources. Should DOR experience the number of additional tax deduction redemptions to justify another FTE, they could seek that FTE through the appropriation process.

Officials at the **Department of Economic Development (DED)** assume the total impact of this entire piece of legislation for FY 2017, assuming the Brownfield project occurs in FY 2017, is \$11,360,000. For the remaining fiscal years, the impact will be \$5,360,000 plus an unknown amount for any projects that qualify for the new Brownfield credit, plus the addition of 2 Economic Development Incentive Specialist III's to administer the programs.

ASSUMPTION (continued)

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume an unknown reduction of premium tax revenues as a result of the modification of a enterprise zone 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 through out 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.

Officials at the **Office of the Governor** assume no fiscal impact from this proposal to their organization.

Officials at the **Joint Committee on Administrative Rules, Department of Natural Resources, Office of the Governor** and the **Department of Transportation** each assume no fiscal impact from this proposal to their respective organizations.

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.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>GENERAL REVENUE</b>			
<u>Revenue Reduction</u> - §447.708 - allow demolition to be a qualifying expense under the Brownfield Tax Credit	\$0	\$0 to (Could Exceed \$6,000,000)	\$0
<u>Revenue Reduction</u> - §143.1100 - business relocation tax credits	\$0 to (\$313,000)	\$0 to (\$313,000)	\$0 to (\$313,000)
<u>Revenue Reduction</u> - §68.075 - loss of withholding tax	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Costs - STO - administration of §68.075</u>			
Personal Service	(\$20,960)	(\$25,404)	(\$25,658)
Fringe Benefits	(\$14,136)	(\$17,032)	(\$17,102)
Equipment and Expenses	(\$26,949)	(\$5,882)	(\$5,941)
<u>Total Cost - STO</u>	(\$62,045)	(\$48,318)	(\$48,701)
FTE Change - STO	1 FTE	1 FTE	1 FTE
<u>Revenue Reduction</u> - §143.2105 tax deduction for increased cargo volume	\$0	\$0 to (\$218,750)	\$0 to (\$218,750)
<u>Revenue Reduction</u> - §143.2110 tax deduction for international trade facility	\$0	\$0 to (\$125,000)	\$0 to (\$125,000)
<u>Revenue Reduction</u> - §143.2115 tax deduction for increased qualified trade	\$0	\$0 to (\$31,250)	\$0 to (\$31,250)
<u>Costs - DOR - computer programming §143.2105, §143.2110, §143.2115</u>	(\$245,981)	\$0	\$0
<u>Costs - DOR - computer programming §143.1100</u>	(\$186,548)	\$0	\$0

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2017 (10 Mo.)	FY 2018	FY 2019
<u>Costs - DED</u>			
Personal Service	(\$30,744)	(\$37,262)	(\$37,635)
Fringe Benefits	(\$15,988)	(\$19,378)	(\$19,572)
Equipment and Expenses	<u>(\$10,666)</u>	<u>(\$3,834)</u>	<u>(\$3,930)</u>
<u>Total Costs - DED</u>	<u>(\$57,398)</u>	<u>(\$60,474)</u>	<u>(\$61,137)</u>
FTE Change - DED	1 FTE	1 FTE	1 FTE
 <b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	 <b>(\$551,972) or (Could Exceed <u>\$864,972)</u></b>	 <b>(\$108,792) or (Could exceed <u>\$6,796,792)</u></b>	 <b>(\$109,838) or (Could exceed <u>\$797,838)</u></b>
Estimated Net FTE Change on General Revenue	2 FTE	2 FTE	2 FTE
 <b>PORT AUTHORITY AIM ZONE FUND</b>			
<u>Revenue - withholding tax collected from new jobs §68.075.4</u>	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Transfer Out - to local port authorities</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
 <b>ESTIMATED NET EFFECT ON PORT AUTHORITY AIM ZONE FUND</b>	 <b><u>\$0</u></b>	 <b><u>\$0</u></b>	 <b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>PORT AUTHORITY FUNDS</b>			
<u>Transfer In</u> - from Port Authority AIM Zone Fund	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Cost</u> - administration of port authority development	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON PORT AUTHORITY FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

Small businesses that qualify for the programs in the bill would be impacted.

FISCAL DESCRIPTION

This act modifies provisions relating to transportation facilities.

**ADVANCED INDUSTRIAL MANUFACTURING ZONES (68.075)**

This act creates the Advanced Industrial Manufacturing Zones Act. Port authorities located in Missouri are authorized to establish an advanced industrial manufacturing ("AIM") zone, which is an area that is being developed or redeveloped for any purpose so long as any infrastructure and building built or improved is in the development area. A zone may include any portion of the area located in the authority's jurisdiction, and its boundaries must be determined by the authority. More than one zone may exist within the authority's jurisdiction.

The act creates the Port Authority AIM Zone Fund consisting of 50% of the state withholding tax from new jobs within the zone after development or redevelopment has begun. The money in the fund must be used for expenses to continue expanding, developing, and redeveloping zones identified by the port authority board of commissioners. No more than 10% of the total amount collected within the zones of a port authority may be appropriated by the legislature for the administration of a port authority. The authority must approve any projects, disperse money in the fund, and submit an annual budget for the collected funds to the Department of Economic Development explaining how and when the money will be spent.

No new AIM zones may be established after August 28, 2023. Existing AIM zones shall expire

FISCAL DESCRIPTION (continued)

when any obligations being funded by the AIM zone are retired.

MID-AMERICA PORT COMMISSION (68.120)

Current law specifies that two commissioners of the Mid-America Port Commission will be appointed by county commissioners in the jurisdiction of the commission. This act requires that the appointed person be a member of certain regional port authorities. The Governor is also authorized to appoint a commissioner from such regional port authorities. The act also requires appointed commissioners to be residents of the counties served by the Mid-America Port Commission.

This provision is identical to HB 536 (2015).

TRANSPORTATION FACILITIES TAX INCENTIVE (143.2100-143.2115)

This act creates three types of income tax deductions for entities transporting cargo through water port facilities and airports in Missouri. The deductions will be administered by the Department of Economic Development.

Beginning January 1, 2017, manufacturers or distributors shipping cargo by waterborne vessel through a water port facility or by airplane through an airport located in Missouri may be eligible for a deduction. The taxpayer must increase by 5% the volume of cargo they transport through a port facility over the prior year's total. The 5% increase requirement will be waived if the cargo is transported through a new port facility that is expected to transport at least 25,000 twenty-foot equivalent units (TEUs) in its first calendar year. Taxpayers must have transported at least 75 net tons of noncontainerized cargo or ten loaded TEUs in the prior year to be eligible for the deduction.

The deduction will be \$50 per TEU over the prior year's cargo volume. For cargo transported through a new port facility in its first year, the deduction will be \$50 per TEU. Taxpayers are limited to \$250,000 in deductions per year. No more than \$3.5 million deductions shall be allowed in a calendar year. The \$250,000 taxpayer limit may be exceeded if the \$3.5 million calendar year cap is not met by March fifteenth in a given year. No deductions may be claimed for tax years beginning after December 31, 2022.

Beginning January 1, 2017, taxpayers operating an international trade facility may qualify for a deduction based on the amount of cargo transported by airplane, rail, or barge. The deduction will be equal to \$25 per TEU or 16 tons of noncontainerized cargo. No more than \$2 million in deductions may be claimed in a fiscal year. No deductions may be claimed for tax years



FISCAL DESCRIPTION (continued)

beginning after December 31, 2022.

Beginning January 1, 2017, taxpayers operating an international trade facility and increasing the volume of cargo by 10% over the prior year may qualify for a deduction. The deduction shall be in an amount equal to \$3,500 per new full-time employee or 2% of the capital investment made in the facility. The new employees or capital investments must be related to an increase in trade activities through international shipping to qualify for the deduction. No more than \$500,000 in deductions may be claimed in any fiscal year. No deductions shall be claimed for tax years beginning after December 31, 2022. The tax deduction amount cannot exceed 50% of a taxpayer's Missouri adjusted gross income in a tax year. The deduction may be recaptured if the number of full-time employees falls below the average number of full-time employees during the tax year.

The proposed legislation would create the Bring Jobs Home Act, which would authorize a tax deduction against income tax, other than employee withholding tax, for up to 50% of eligible expenses associated with closing a business located outside of the state and reopening that business in Missouri. The closing could occur in a year other than the year of the relocation.

Eligible expenses must be paid or incurred under a written plan. The maximum amount of tax deductions allowed under this program could not exceed \$5 million per year, and deductions would be allowed on a first come first served filing basis.

To be eligible for the tax deduction, the number of full-time employees in Missouri for the year the deduction is claimed must exceed the number of full-time employees for the year preceding the year in which the eligible expenses were paid or incurred. Eligible expenses must be taken into account during the tax year the plan was completed and all eligible expenses have been paid or incurred or, if the taxpayer chooses, the first tax year after the tax year the expenses have been paid or incurred. A deduction would not be allowed for expenses incurred when dissolving a business in Missouri and relocating it to another state.

If a taxpayer is allowed a deduction under this program and within 10 years of receiving the deduction eliminates the business unit for which the deduction was allowed, the taxpayer would be required to repay the state an amount equal to the amount of the tax savings realized from the deduction.

The provisions of the bill would expire six years after their effective date.

This proposal changes the laws regarding redevelopment of abandoned property to authorize tax credits for the redevelopment of certain former automobile manufacturing plants in St. Louis

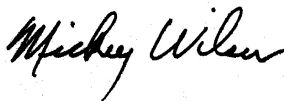
FISCAL DESCRIPTION (continued)

County.

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 State Treasurer  
Department of Revenue  
Office of Administration's Division of Budget and Planning  
Department of Transportation  
Department of Economic Development  
Office of the Governor  
Department of Insurance, Financial Institutions, and Professional Registration  
Joint Committee on Administrative Rules  
Office of the Secretary of State  
Department of Natural Resources  
St. Louis County



Mickey Wilson, CPA  
Director  
June 8, 2016

Ross Strobe  
Assistant Director  
June 8, 2016