

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5741-01
Bill No.: Perfected SB 879
Subject: Economic Development; Economic Development Department; Federal-State Relations; Taxation and Revenue - Income; Tax Credits; Revenue Department
Type: Original
Date: February 24, 2016

Bill Summary: This proposal modifies provisions relating to the Missouri Works Program and the United States Department of Defense.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0 or (Could Exceed \$100,000)	\$0 or (Could Exceed \$100,000)	\$0 or (Could Exceed \$100,000)
Total Estimated Net Effect on General Revenue	\$0 or (Could Exceed \$100,000)	\$0 or (Could Exceed \$100,000)	\$0 or (Could Exceed \$100,000)

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

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
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 add the Department of Defense to the definition of "qualified company" under the Missouri Works Program. If the Department of Defense meets the program qualifications, it would remit all withholding taxes for newly created jobs; then, those remittances would be paid to the industrial development corporation or the Missouri Development Finance Board (MDFB) acting as the co-applicant to cover costs associated with the purchase and maintenance of the project facilities.

To the extent the Department of Defense qualifies for additional tax credits and there is sufficient space under the Missouri Works Program cap of \$116 million, this proposal could impact General and Total State Revenues. Or, additional appropriation authority may be needed to transfer withholding receipts to the MDFB or an IDC.

BAP does not have enough information to determine how this proposal would affect the authorized tax credits from this program. The Department of Economic Development may have additional information and comments regarding the specific implementation of this proposal.

Officials at the **Department of Economic Development** and **Department of Revenue** each assume no fiscal impact from this proposal to their respective organizations.

To qualify for the Missouri Works Program a company must create or retain a minimum number of new jobs at the project facility with average wages of 80%, 90%, 120%, or 140% of the county average wage and must off and pay at least 50% of the health insurance premiums. There are 5 different types of programs qualifying companies may apply for; Zone Works, Rural Works, Statewide Works, Mega Works and Retention Works. Zone Works and Rural Works provide benefits of retention of 100% of the withholdings on the new jobs for 5-6 years. Statewide Works provides benefits of retention of withholdings or a combination of retention of withholdings and tax credits for 9% of payroll on the new jobs. Megan Works provides benefits of a combination retention of withholdings and tax credits totaling from 6%-7% respectively up to 9% of payroll of the new jobs. Retention Works provides benefits of the retention of withholding tax for up to 100% of the withholdings of the new jobs for up to 10 years.

Oversight assumes this proposal would allow the Department of Defense (DOD) to apply for the Missouri Works program. We are unable to determine if the amount DOD would be awarded if they chose to apply. Therefore, Oversight will show the fiscal impact as \$0 (no credits issued) or Could Exceed \$100,000.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Revenue Reduction</u> - credits issued to DED	\$0 or (Could Exceed <u>\$100,000</u>)	\$0 or (Could Exceed <u>\$100,000</u>)	\$0 or (Could Exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or (Could Exceed <u>\$100,000</u>)	\$0 or (Could Exceed <u>\$100,000</u>)	\$0 or (Could Exceed <u>\$100,000</u>)
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Under this act, if the federal government is inviting states to compete for additional employment or employment expansion at military installations and the United States Department of Defense offers health insurance to all full-time employees in the state and certifies that it pays over 50% of their premiums, the Department of Defense may be a qualified company for purposes of the Missouri Works Program.

In order to apply for benefits under the Missouri Works Program, the United States Department of Defense must co-apply for benefits with an industrial development corporation or the Missouri development finance board. The co-applicant shall have a significant role in planning and operating the facility.

If the United States Department of Defense is a co-applicant for benefits, it shall remit withholding taxes for new jobs under Missouri law. The Department of Economic Development shall then pay the industrial development corporation or the Missouri development finance board the amount it would have otherwise retained or received including any tax credits. If the FISCAL

DESCRIPTION (continued)

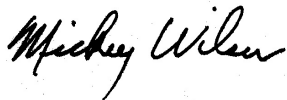
industrial development corporation or the Missouri development finance board receives an incentive payment or proceeds from a tax credit, it shall be placed in a separate fund and solely used for expenses associated with the project facility.

This act also modifies the definition of "project facility base payroll" to include only taxable wages instead of all wages.

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
Office of Administration's Division of Budget and Planning
Department of Revenue



Mickey Wilson, CPA
Director
February 24, 2016

Ross Strope
Assistant Director
February 24, 2016