

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4474-01  
Bill No.: SB 550  
Subject: Economic Development, Department of Economic Development, Tax Incentives  
Type: Original  
Date: January 19, 2018

---

Bill Summary: This proposal re-authorizes the Missouri Works Program.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	\$0	\$0	(Could Exceed \$116,000,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>(Could Exceed \$116,000,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</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>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning** assume this provision re-authorizes §620.2000 to §620.2020 and extends the expiration date to August 28, 2030. Since this proposal extends the expiration date of an existing program, it does not impact General and Total State Revenue. This proposal will not impact the calculation under Article X, Section 18(e).

Officials at the **Department of Revenue** assume they will need minor programming to change the sunset date. This can be absorbed within existing resources.

Officials at the **Department of Economic Development (DED)** assume this proposal amends Missouri Works, §620.2020 to extend the sunset date to 8-28-30. There is no impact for FY 2019 as the program does not sunset until FY 2020.

To calculate a benefit, DED's Division of Business and Community Services (BCS) determined the estimated redemptions that will likely occur in FY 2020 and 2021. For FY 2020 BCS estimates redemptions of \$147,233,155. However, for this program, the state sees an economic benefit of \$3.59 per dollar spent. The redemptions minus the benefit to the state equals a total positive benefit to the state of \$381,333,871 for FY 2020.

The estimated redemptions for FY 2021 are \$168,306,108. After calculating the benefit return to the state with the average of \$3.59 per dollar spent, the state will have a positive benefit of \$435,912,820.

**Oversight** assumes the re-authorized program would have a positive impact on the state (estimated to be a return of \$3.59 per dollar spent by DED above). However, Oversight considers this to be an indirect impact of the proposal and will not reflect it in the fiscal note.

**Oversight** notes the MO Works Program was created in 2013 in HB 184. It replaced the Development tax credit in §32.100, the Rebuilding Communities tax credit in §135.535, the Enhanced Enterprise Zones tax credit in §135.950 and the Quality Jobs tax credit in §620.1875. MO Works was given a \$106 million cap in FY 2014, a \$111 million cap in FY 2015 and a \$116 million cap in FY 2016 and all subsequent years. This \$116 million cap includes outstanding authorizations under the previous tax credits.

To qualify for a tax credit under MO Works a company must create or retain a minimum number of jobs at the project facility with average wages of 80%, 90%, 120% or 140% of the county

ASSUMPTION (continued)

average wage and pay at least 50% of health insurance premiums. These projects are considered Zone Works, Rural Works, Statewide Works, and Mega Works.

In addition to the tax credits, a company is allowed to retain withholding tax based on the creation of new jobs and retained jobs. There is no annual cap on the amount of withholding tax that can be retained.

**Oversight** notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Missouri Works tax credit program had the following activity;

	FY 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Certificates Issued	0	4	17	51	84
Projects	150	136	144	145	145
Amount Authorized	\$288,867,941	\$114,719,436	\$155,506,188	\$186,045,440	\$186,045,440
Amount Issued	\$3,588,785	\$23,741,677	\$35,547,214	\$76,586,936	\$95,763,453
Amount Redeemed	\$3,588,785	\$12,075,789	\$35,065,683	\$75,603,837	\$94,214,896

Amount Outstanding - \$12,147,420.17 Amount Authorized but Unissued - \$568,188,990.08

**Oversight** notes the Missouri Works Program has a \$116 million annual cap for the tax credit and no cap on the retained withholding. Currently, this tax credit is to sunset on August 28, 2019 (FY 2020). This proposal would extend the sunset until August 28, 2030. This would extend the tax credit from FY 2021 to FY 2031.

Per **Oversight** fiscal note policy, the fiscal note will reflect the extension of the tax credits starting in FY 2021. Oversight will show the impact as Could Exceed the \$116 million annual tax credit cap.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>GENERAL REVENUE</b>			
<u>Revenue Reduction</u> - extension of the sunset on the Missouri Works tax credit and retained withholding tax §620.2020 from 8/28/19 to 8/28/30	<u>\$0</u>	<u>\$0</u>	(Could Exceed <u>\$116,000,000</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b>(Could Exceed <u>\$116,000,000</u>)</b>
<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that utilize the credit would be impacted by this proposal.

FISCAL DESCRIPTION

The Missouri Works Program is currently set to expire on August 28, 2019. This act re-authorizes the program until August 28, 2030.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

L.R. No. 4474-01  
Bill No. SB 550  
Page 6 of 6  
January 19, 2018

SOURCES OF INFORMATION

Department of Economic Development  
Department of Revenue  
Office of Administration  
Division of Budget and Planning

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope", with a stylized flourish at the end.

Acting Director  
January 19, 2018