COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5294-03
Bill No.: Truly Agreed To and Finally Passed CCS for HCS for SB 773
Subject: Taxation and Revenue - Income
Type: Original
Date: June 12, 2018

Bill Summary: This proposal modifies the law regarding taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2022)
General Revenue	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Could exceed $3,000,000)
Total Estimated Net Effect on General Revenue	**Unknown to (Unknown)**	**Unknown to (Unknown)**	**Unknown to (Unknown)**	**Unknown to (Could exceed $3,000,000)**

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 increase in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 22 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2022)
MO Arts Council Trust Fund	$0	$0	$0	$24,480,000
Library Networking	$0	$0	$0	$4,080,000
MO Humanities Council Trust	$0	$0	$0	$4,080,000
MO Public Broadcasting Corp Special Fund	$0	$0	$0	$4,080,000
Historic Preservation Revolving Fund	$0	$0	$0	$4,080,000
Economic Development Advancement Fund	$0	Up to $1,800,000	Up to $1,800,000	Up to $1,800,000
Total Estimated Net Effect on Other State Funds	**$0**	**Up to $1,800,000**	**Up to $1,800,000**	**Up to $42,600,000**

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2022)
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2022)
Total Estimated Net Effect on FTE	**0**	**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 2019	FY 2020	FY 2021	Fully Implemented (FY 2022)
Local Government	**$0**	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

§32.087 Local Sales Tax
Officials at the **Office of Administration Division of Budget and Planning** (**B&P**) assume this section would change the local sales and use tax laws regarding motor vehicles. Any changes made to local rates or items taxed must still be voter approved. Therefore, B&P estimates that this proposal will not have a statewide, Total State Revenue, or 18(e) impact

§32.315 DOR Annual Report
Officials at the **B&P** assume this section requires Department of Revenue to issue an annual report listing all sales and use levies that meet certain requirements. B&P estimates that this proposal will not have a statewide, Total State Revenue, or 18(e) impact.

The **Department of Revenue** (**DOR**) shall issue an annual report on or before January 1, 2019, and every January 1 thereafter, listing all sales and use levies that are:

Authorized pursuant to state law.
Collected by the Department of Revenue.
Approved by voters at an election.

The report required under subsection 1 of this section shall indicate the provision of law authorizing such tax levy.

Oversight assumes that DOR can handle the preparation of this annual report with existing resources.

§67.3000 Amateur Sporting Ticket Sales and the §67.3005 Amateur Sporting Contribution
Officials at the **B&P** assume these sections make multiple changes to the sports contribution tax credit. They expand the credit to additional college level sporting events, they expand the credit to participant-based events, require the actual number of tickets or participants to be used when determining the credit amount, and extend the sunset date from 2018 to 2024.

In addition, B&P notes that §67.3000 limits the tax credits to $2.7 million per year for Jackson County, St. Louis County, and St. Louis City. This could increase Total State Revenue and General Revenue if this reduces the amount of credits that would otherwise have been awarded.

Officials at the **Department of Economic Development** (**DED**) assume this amends the Sporting Event Tax Credit to include “collegiate” events. It makes other small changes but leaves the cap on the program at $2.7 million per year. The impact will be $2.7 million per year beginning FY 2019 and DED will need to hire one FTE to administer the program.

ASSUMPTION (continued)

Oversight notes this proposal extends the sunset on an existing program and expands the credit to allow $10 for every paid participant registration. However, the cap on the program is unchanged. DED should be able to absorb the duties of the proposal with existing resources.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Amateur Sporting Ticket Sales tax credit program (§67.3000) had the following activity;

	FY 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Certificates Issued	6	3	15	10	10
Projects	8	3	15	10	10
Amount Authorized	$728,708	$942,800	$5,296,200	$2,200,000	$1,800,000
Amount Issued	$585,735	$237,050	$2,175,700	$2,035,825	$1,500,000
Amount Redeemed	$38,610	$17,800	$1,316,815	$500,000	$500,000

Amount Outstanding - $1,078,135 Amount Authorized but Unissued - $3,918,305

Oversight notes this proposal would extend this tax credit from August 28, 2019 to August 28, 2024. This credit is given for 100% of eligible costs or $5 per admission ticket. This proposal expands the credit to allow $10 for every paid participant registration. This tax credit has a $3 million annual cap. This proposal places a limit on all events located in certain areas of the state of $2.7 million of the total. Per Oversight fiscal note policy, the fiscal note will reflect the extension of this tax credit starting in FY 2022.

Oversight notes that this tax credit requires approval of the sports contract prior to the event being held. Once the event is held and costs are submitted to the agency, the credits are issued. Due to the lag time between authorization and issuance of these credits, Oversight assumes the extension of the credit would begin in FY 2022.

ASSUMPTION (continued)

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Amateur Sporting Contribution tax credit (§67.3005) program had the following activity;

	FY 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Certificates Issued	7	0	13	7	7
Projects	7	0	13	7	7
Amount Authorized	$14,000	$20,000	$18,750	$20,000	$20,000
Amount Issued	$14,000	$0	$39,250	$20,000	$20,000
Amount Redeemed	$0	$0	$12,500	$15,000	$15,000

Amount Outstanding - $40,750 Amount Authorized but Unissued - $110,000

Oversight notes this tax credit is a prepay credit. A person makes a donation to an eligible organization and half the payment is sent to the state by the organization. Upon receipt of the payment by the State, the tax credit is issued. Oversight notes that since the payment is received in advance of the issuance of the tax credit, extending this credit would not fiscally impact the State.

§143.183 Athlete &Entertainers (A&E) tax
Officials at the **B&P** assume this section would extend the Athletes and Entertainers tax through tax year 2030. The tax is currently set to expire on December 31, 2020. B&P estimates that this section will not impact Total State Revenue or the calculation under Article X, Section 18(e).

Officials at the **Department of Natural Resources** (**DNR**) assume that currently, for all tax years on or after January 1, 1999 through December 31, 2020, the Office of Administration estimates annually the amount of the nonresident athlete and entertainer tax collected. This proposal would extend the December 31, 2020 expiration date of the nonresident entertainer and professional athletic team income tax to December 31, 2030. Subject to appropriation, ten-percent of this tax is allocated annually and transferred from general revenue to the Historic Preservation Revolving Fund to be made available for historic preservation efforts.

Oversight notes that §143.183, allows for the revenues from the nonresident tax on athletes and entertainers to be distributed to cultural entities in Missouri - 60% of the funds to the Missouri Arts Council Trust Fund (0262); and 10% each to the Library Networking Fund (0822) for public libraries to purchase library materials; 10% to the Missouri Humanities Council Trust Fund (0177); 10% to the MO Public Broadcasting Corporation Special Fund (0887) for public television and public radio stations; and 10% to the Missouri Department of Natural Resources

ASSUMPTION (continued)

for the Missouri Historic Preservation Revolving Fund (0430). Extending the expiration on this tax from December 31, 2020 (FY 2021) to December 31, 2030 (FY 2031) would continue this revenue source to these funds.

The nonresident tax on athletes and entertainers has brought in the following amounts:

FY 2018 (as of date)	$22,036,517
FY 2017	$36,881,364
FY 2016	$41,798,273
FY 2015	$41,079,962
FY 2014	$35,585,312

Using the projected estimated of FY 2018 of $40,800,000 the funds would receive the following amounts:

Missouri Arts Council Trust Fund	$24,480,000
Library Networking Fund	$ 4,080,000
Missouri Humanities Council Trust Fund	$ 4,080,000
MO Public Broadcasting Corporation Special Fund	$ 4,080,000
Missouri Historic Preservation Revolving Fund	$ 4,080,000

Per fiscal note policy, **Oversight** will show the impact to these funds beginning in FY 2022.

§143.451 Intercompany Transactions
Officials at the **B&P** assume this section states that sales and business transactions shall not include intercompany transactions between corporations that file a consolidated return. B&P notes that under this section some corporations filing a consolidated return may have a positive impact on their tax liability, while others may have a negative impact to their tax liability. B&P is unable to determine which impacts, in the aggregate, would be greater. Therefore, due to these data limitations, B&P cannot estimate an exact impact from this proposal. However, this section may have an unknown impact on Total State Revenue and General Revenue.

§253.545 - §253.559 Historic Preservation Tax Credit
Officials at the **B&P** assume §253.550.2(1) would impose a $90.0 million cap on the Historic Preservation Tax Credit, which may be increased by any amount for tax credits that were initially approved, but then rescinded by the Department of Economic Development. The current cap is $140.0 million; but B&P notes the average amount of authorizations over the last three fiscal years is $114.0 million.

ASSUMPTION (continued)

Section 253.545.1(7) adds a definition for qualified census tract and directs DED to create a map showing census tracts by varying amounts of poverty. Section 253.550.2(2) would allow an additional $30 million in historic preservation credits to be authorized for projects in qualified census tracts.

B&P notes that combining the two caps under §253.550.2(1) of $90 million and §253.550.2(2) of $30 million would be greater than the current average authorizations of $114.0 million, but less than the current authorization cap of $140.0 million. Therefore, B&P estimates that these provisions will have no direct impact to Total State Revenue or General Revenue.

Section 253.550.2(3) would adjust the $90 million authorization cap for inflation if the maximum amount of credits were authorized under both §253.550.2(1) and §253.550.2(2) in the preceding fiscal year. B&P notes that this will erode the savings from lowering the cap under §253.550.2(1) and may result in a negative impact to Total State Revenue and General Revenue over time.

Section 253.550.4 states that the authorization cap under §253.550.3 shall not apply to any applications (approved or not) made before October 1, 2018. B&P notes that this proposal would go into effect on August 28, 2018. It is unclear if this would mean that all applications received from 8/28/18 through 10/1/18 would not be subject to either the $140 million current cap or the $90 million proposed cap. B&P notes that this could have a significant negative impact to General Revenue and Total State Revenue.

Section 253.559 adds additional requirements for historic preservation applications and additional requirements for DED to use when evaluating historic preservation applications. Section 253.559.3(2) would exempt projects receiving less than $275,000 from the additional requirements. Section 253.559.7 would also require taxpayers applying for the credit to provide proof of financing with sixty days of being awarded credits. Section 253.559.8 also lowers the time rehabilitation must commence from the current two years down to nine months.

Officials at the **DOR** assume for each fiscal year beginning on or after July 1, 2010, but ending before June 30, 2018, the Department of Economic Development shall not approve applications for tax credits under the provisions of subsections 4 and 10 of Section 253.559 which, in aggregate, exceed ninety million dollars, increased by any amount of tax credits for which approval shall be rescinded under the provisions of Section 253.559.

ASSUMPTION (continued)

For each fiscal year beginning on or after July 1, 2018, the Department of Economic Development shall authorize an amount up to, but not to exceed, an additional thirty million dollars in tax credits issued under subsections 4 and 10 of Section 253.559, provided that such tax credits are authorized solely for projects located in a qualified census tract.

For each fiscal year beginning on or after July 1, 2018, if the maximum amount of tax credits allowed in any fiscal year as provided under subdivisions (1) and (2) of subsection 253.550.2 is authorized, the maximum amount of tax credits allowed under subdivision (1) of subsection 253.220.2 shall be adjusted by the percentage increase in the Consumer Price Index for All Urban Consumers, or its successor index, as such index is defined and officially reported by the United States Department of Labor, or its successor agency. Only one such adjustment shall be made for each instance in which the provisions of this subdivision apply. The director of the Department of Economic Development shall publish such adjusted amount.

Officials at the **DNR** assume the Department's SHPO staff reviews rehabilitation work for the state historic preservation tax credit program to ensure it conforms to the Secretary (of the United States Department) of the Interior's Standards for Rehabilitation. Any changes in the tax credit structure may have an impact on the number of rehabilitation projects the SHPO reviews. The Department of Economic Development (DED) tracks the financial side of the historic preservation tax credit program and SHPO assists with the rehab design review; therefore, DED is in a better position to quantify the potential economic impacts of limiting tax credits. With the possibility of a reduced program there may continue to be a rush on the available funds, bringing an increased number of projects and greater workload to the SHPO prior to June 30, 2018, due to the uncertainty of future funding and credit availability.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume a potential positive unknown impact to premium tax revenues may occur as a result of the change to the Historic Preservation Tax Credit. 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.

ASSUMPTION (continued)

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program in January 2018, the Historic Preservation tax credit program had the following activity:

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018 year to date
Certificates Issued	158	154	210	162	67
Projects	128	210	182	113	48
Amount Authorized	$146,635,429	$97,136,287	$90,749,410	$154,152,770	$145,417,525
Amount Issued	$41,791,636	$53,206,338	$59,590,351	$85,136,859	$24,805,764
Amount Redeemed	$59,829,671	$47,638,886	$57,496,338	$49,742,927	$44,490,943

Amount Outstanding - $102,834,919 Amount Authorized but Unissued - $341,073,841

Oversight notes that starting July 1, 2018, the cap is lowered from $140 million to $120 million. The cap allows for $90 million for any projects and in §253.550.2(2) authorizes $30 million for certain projects and properties located in a qualified census tract. Oversight notes a portion of the proposal lowers the cap on the Historic Preservation Tax Credit. Oversight assumes a reduction in the authorization cap would take place immediately; however, due to the lag time between the authorization, issuance and redemptions of the credits that reduction may not be felt for several years. This credit requires that prospective taxpayers apply for the tax credit prior to construction at which time they are authorized tax credits. Prospective taxpayers would apply for the authorization of the new reduced cap credits starting after July 1, 2018 (FY 2019). The projects generally have a two year build cycle before completion and issuance of the credits. Therefore, projects approved after July 1, 2018 would not generally result in tax credits issued until after the end of FY 2020, and would not be able to be redeemed until FY 2021.

In previous fiscal notes, Oversight showed the $30 million as a separate tax credit. Further, review indicates the $30 million would be a set aside of the full credit, to be used exclusively for the designated projects.

When determining the impact of a cap change on tax credit legislation, Oversight reflects the amount of increased revenue to the State as the difference between the new cap and the average amount issued over the last five years. In this case, the new cap of $120 million is higher than the five year issue average of $62,244,236. Therefore, Oversight assumes the changes in the proposal would not result in a savings to the State in the three year window of the fiscal note.

ASSUMPTION (continued)

Oversight notes the current cap on the Historic Preservation tax credit is $140 million annually. This proposal in §253.550.2 would allow $90 million of the cap on the credit to be adjusted by the percentage increase in the Consumer Price Index beginning on July 1, 2018. The U.S. Department of Labor shows the Consumer Price Index as follows:

Year	Consumer Price Index
2016	.8
2015	-.5
2014	1.5
2013	1.4
2012	2.0

Source: U.S. Department of Labor

Oversight notes the five year average of the Consumer Price Index is 1%. Oversight will show the impact as Could Exceed the estimate of a 1% growth rate which is recalculated below.

	Average Annual Increase 1%	Annual Cap	Potential Cumulative Cap Increase over FY 2019
FY 19 Historic Preservation Tax Credit	-	90,000,000	-
Potential FY 2020 Increase	900,000	90,900,000	900,000
Potential FY 2021 Increase	909,000	91,809,000	1,809,000
Potential FY 2022 Increase	918,090	92,727,090	2,727,090
Potential FY 2023 Increase	927,271	93,654,361	3,654,361
Potential FY 2024 Increase	936,544	94,590,905	4,590,905
Potential FY 2025 Increase	945,909	95,536,814	5,536,814
Potential FY 2026 Increase	955,368	96,492,182	6,492,182

ASSUMPTION (continued)

As **Oversight** noted above, since the new cap is still higher that the five year issue average we do not show an impact from the cap change in the fiscal note. Since this inflation factor will continue to raise that cap, we will not show a fiscal impact from this proposal.

§620.1900 Economic Development Advancement Fund
Officials at the **B&P** assume this section would increase the fee DED may charge from 2.5% to 4% on the tax credits issued under §253.545 to §253.559 (Historic Structures Rehabilitation) and directs 37.5% of the fee to business recruitment and marketing activities. The fee is to be deposited into the Economic Development Advancement Fund. B&P notes that the additional 1.5% fee would apply to only the Historic Preservation tax credits. The three-year average of issued Historic Preservation Credits was $66.0 million from FY 2015-FY 2017. Therefore, B&P estimates that this provision will increase Total State Revenue by $1.0 million beginning in FY 2019.

Officials at the **DED** assume this proposal adds the 4% fee for historic projects and requires that 37.5% of the proceeds from the 4% fee "be appropriated from the economic development advancement fund for business recruitment and marketing".

Officials at the **DOR** assume this proposed legislation allows for the DED to increase its fee to the recipient of any Historic Preservation Tax Credit from 2 ½ to 4 percent. The Department estimates this will increase the fee collected by an estimated $508,980. The average amount issued for FY(s) 2015, 2016, 2017 was approximately $33,931,978. The Department would have collected an estimated $848,299 at 2 ½ percent and an estimated $1,357,279 at 4 percent.

This $1,357,279 would be deposited into the Economic Development Advancement Fund. After deposited, 37 ½ percent of this fee that has been deposited would be appropriated from the Economic Development Advancement Fund for business recruitment and marketing. This would amount to an estimated $508,980. Therefore, the total amount remaining in the Economic Development Advancement Fund would be $848,299. Subsequently, there is no impact to Total State Revenue.

Officials at the **DNR** assume that presently, the Department receives funds transferred from the Economic Development Advancement Fund (0783) for historic preservation operations through an approved line item in the annual budget (HB 6). This funding is derived from the tax credit application fees DED collects and is transferred to DNR for the assistance the SHPO provides in reviewing historic tax credit projects. This bill proposes to direct the application fees to other sources for different purposes: 37.5 percent for business recruitment, etc., 50% for marketing, and the remainder to DED (p, 52-53). It does not appear that the funds usually transferred to the

ASSUMPTION (continued)

DNR/SHPO would continue to be available unless that provision is found elsewhere. For FY 2018, this amounts to $113,808.

Oversight notes the 1.5% increase (2.5% to 4%) is a 37.5% increase. The increase is earmarked for business recruitment. Oversight assumes the remaining 2.5% would continue to be distributed as under current law.

Oversight notes this proposal increases the 2.5% fee paid on Historic Preservation tax credits to the Economic Development Advancement Fund. Currently, DED can collect $1,556,106 ($62,244,236 issue average x .025 fee). The fee is increased to 4%. This proposal sets the cap on the current Historic Preservation tax credit at $90 million and creates a new $30 million credit. Therefore, DED could collect Up to $1,800,000 ($120,000,000 new cap x .015 difference between old and new fee).

Summary
Officials at the **B&P** estimates that this proposal could decrease Total State Revenue and General Revenue in the future due to the inflation adjustment authorized in Section 253.550.2(3) and the language in Section 253.550.4.

These changes may impact other economic activity, but B&P does not have data to estimate the induced revenues.

Oversight assumes the many programs and changes to existing programs in this proposal would have a positive impact on the state. However, Oversight considers this to be an indirect impact of the proposals and will not reflect them in the fiscal note.

Officials at the **DED** assume the impact is complicated. Lowering the historic cap to $90 million, increased by the CPI for Urban Consumers (1.5%) each year less the economic benefit the state receives for the savings results in the first line of the chart below. The 4% fee on the historic credits results in income in line 2 below.

	Year 1	**Year 2**	**Year 3**
Historic Savings	37,500,000	36,487,500	35,459,812.50
4% Fee Revenue	3,600,000	3,654,000	3,708,810
Total	41,100,000	40,141,500	39,168,662.50

ASSUMPTION (continued)

In response to similar legislation filed this year, officials from the **Office of the Secretary of State (SOS)** stated 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.

FISCAL IMPACT - State Government	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2022)
GENERAL REVENUE				
Revenue Reduction - extension of the Amateur Sporting Ticket Sales tax credit sunset date §67.3000	$0	$0	$0	(Up to $3,000,000)
Revenue - corporations income tax filing changes §143.451	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**Unknown to (Unknown)**	**Unknown to (Unknown)**	**Unknown to (Unknown)**	**Unknown to (Could exceed $3,000,000)**

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 increase in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

FISCAL IMPACT - State Government (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2022)
MO ARTS COUNCIL TRUST FUND				
Additional Revenue - extension of the nonresident entertainer and professional athlete income tax §143.183	$0	$0	$0	$24,480,000
ESTIMATED NET EFFECT ON MO ARTS COUNCIL TRUST FUND	**$0**	**$0**	**$0**	**$24,480,000**
LIBRARY NETWORKING FUND				
Additional Revenue - extension of the nonresident entertainer and professional athlete income tax §143.183	$0	$0	$0	$4,080,000
ESTIMATED NET EFFECT ON LIBRARY NETWORKING TRUST FUND	**$0**	**$0**	**$0**	**$4,080,000**

FISCAL IMPACT - State Government (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2022)
MO HUMANITIES COUNCIL TRUST FUND				
Additional Revenue - extension of the nonresident entertainer and professional athlete income tax §143.183	$0	$0	$0	$4,080,000
ESTIMATED NET EFFECT ON MO HUMANITIES COUNCIL TRUST FUND	**$0**	**$0**	**$0**	**$4,080,000**
MO PUBLIC BROADCASTING CORP SPECIAL FUND				
Additional Revenue - extension of the nonresident entertainer and professional athlete income tax §143.183	$0	$0	$0	$4,080,000
ESTIMATED NET EFFECT ON MO PUBLIC BROADCASTING CORP SPECIAL FUND	**$0**	**$0**	**$0**	**$4,080,000**

FISCAL IMPACT - State Government (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2022)
HISTORIC PRESERVATION REVOLVING TRUST FUND				
Additional Revenue - extension of the nonresident entertainer and professional athlete income tax §143.183	$0	$0	$0	$4,080,000
ESTIMATED NET EFFECT ON HISTORIC PRESERVATION TRUST FUND	**$0**	**$0**	**$0**	**$4,080,000**

FISCAL IMPACT - State Government (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2022)
ECONOMIC DEVELOPMENT ADVANCEMENT FUND				
Additional Revenue - increase in the fee from 2.5% to 4% on both Historic Preservation tax credits §620.1900	$0	Up to $1,800,000	Up to $1,800,000	Up to $1,800,000
ESTIMATED NET EFFECT ON ECONOMIC DEVELOPMENT ADVANCEMENT FUND	**$0**	**Up to $1,800,000**	**Up to $1,800,000**	**Up to $1,800,000**

FISCAL IMPACT - Local Government	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2022)
	$0	**$0**	**$0**	**$0**

FISCAL IMPACT - Small Business

This legislation may impact small businesses.

FISCAL DESCRIPTION

This act modifies several provisions relating to taxation.

LOCAL SALES TAX REPEAL - This act extends the date by which a local taxing jurisdiction shall place a question on the ballot regarding the repeal of a local sales tax on certain motor vehicles purchased from out-of-state dealers from November 2018 to November 2022. (§32.087)

DEPARTMENT OF REVENUE REPORT - This act requires the Department of Revenue to annually issue a report containing certain information on all sales and use tax levies imposed in this state. (§32.315)

AMATEUR SPORTING EVENT TAX CREDIT - This act modifies several provisions related to tax credits for amateur sporting events. The definition of "eligible costs" is modified to include bid fees and financial guarantees pledged to a site selection organization. The definition of "site selection organization" is also modified to include several additional organizations, as described in the act.

Currently, an applicant is required to submit eligible costs and documentation to the Department of Economic Development no more than thirty days following the conclusion of the sporting event. This act changes such deadline to ninety days. Documented eligible costs paid may be paid either by the applicant or an entity co-hosting the event with the applicant.

This act requires, rather than allows, the Department of Economic Development to determine the total number of tickets sold to the event, or, if such event is participant-based with no admission tickets, the total number of paid participant registrations.

This act also requires, rather than allows, the Department to issue a tax credit pursuant to the provisions of the program. For the purposes of calculating the amount of the tax credit, an applicant shall be allowed $10 for every paid participant registration if the event is participant-based with no paid admission tickets.

The aggregate amount of tax credits issued under this program is limited to $3 million per fiscal year. This act implements a fiscal year cap of $2.7M for all events located in Jackson or St. Louis Counties or St. Louis City. Collegiate football bowls and other neutral-site games with at least one out-of-state team shall be exempt from the competitive bid requirements of the program.

Currently the Department is prohibited from accepting applications for this tax credit program after August 28, 2019. This act extends the program until August 28, 2024. (§67.3000)

FISCAL DESCRIPTION (continued)

This act also extends the sunset for a tax credit for contributions to a local organizing committee or certified sponsor from August 28, 2019, to August 28, 2024. (Section §67.3005)

ATHLETES AND ENTERTAINERS TAX - Currently, the revenue generated from an income tax on certain nonresident athletes and entertainers is distributed among several funds. Such distributions will currently end on December 31, 2020. This act extends the distributions until December 31, 2030. (Section 143.183)

CORPORATE INCOME APPORTIONMENT - This act provides that intercompany transactions between corporations that file a consolidated return shall not be included in the definition of sales for the purposes of income apportionment. (§143.451)

HISTORIC PRESERVATION TAX CREDITS - This act modifies several provisions relating to historic buildings. Currently, the DED shall not approve tax credits for the rehabilitation of historic structures which, in the aggregate, exceed $140 million, increased by any amount of tax credits for which approval shall be rescinded for any reason. For each fiscal year beginning on or after July 1, 2018, the act reduces the aggregate cap to $90 million. DED shall authorize up to an additional $30 million in Historic Preservation tax credits above the $90 million cap provided that any such tax credits are authorized solely for projects located in a qualified census tract, which is defined as a census tract with a 20% poverty rate or higher as determined by a map published by DED, as described in the act. If the $90 million cap and the $30 million supplemental cap are both authorized in a fiscal year, the $90 million cap shall be adjusted by the percent increase in inflation. Only one such adjustment shall be made for each instance in which the inflation adjustment is triggered.

Current law exempts projects approved or applied for prior to January 1, 2010, from the authorization cap on the amount of tax credits that may be authorized. This act changes such date to October 1, 2018. (§253.550)

This act also modifies the Historic Preservation Tax Credit by requiring DED to consider additional factors prior to determining whether a credit shall be awarded, including the projected net fiscal benefit of the project, the overall size and quality of the project, the level of economic distress in the area, and input from the local elected officials in the local municipality as to the importance of the project to the municipality. Such additional factors shall not apply to projects receiving less than $250,000 in tax credits. (§253.559.3)

FISCAL DESCRIPTION (continued)

All taxpayers with applications receiving approval on or after July 1, 2019, shall submit evidence of the capacity of the applicant to finance the cost and expenses for the rehabilitation of the eligible property, as described in the act. (§253.559.7)

This act requires that a taxpayer receiving approval for tax credits shall commence rehabilitation within nine months, rather than two years, of the date of approval. (§253.559.8)

Current law allows DED to charge a fee of 2.5% on the amount of tax credits issued by the Department. This act allows the Department to charge a fee of 4% on the amount of Historic Preservation tax credits issued by the Department. 37.5% of the revenue generated by the 4% fee rate shall be appropriated from the Economic Development Advancement Fund for business recruitment and marketing. (§620.1900)

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 Natural Resources
Department of Revenue
Office of Administration
  Division of Budget and Planning

Ross Strope

Acting Director
June 12, 2018

JH:LR:OD