COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1041H.06C
Bill No.: HCS for SB 5
Subject: Taxation and Revenue - General; Economic Development; Taxation and Revenue - Income; Federal - State Relations; Revenue, Department of; Political Subdivisions; Business and Commerce; Economic Development, Department of; Cities, Towns, and Villages
Type: Original
Date: May 4, 2021

Bill Summary: This proposal would modify provisions relating to taxation.

FISCAL SUMMARY

	ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	FY 2024	FY 2027
General Revenue Fund	($5,986,325)	Less than or greater than ($58,471,956) to less than or greater than ($55,558,150)	Less than or greater than ($135,490,449) to less than or greater than ($118,955,908)	Less than or greater than ($135,209,685) less than or greater than ($118,677,564)	Less than or greater than ($130,618,248) to less than or greater than ($114,925,273)
Total Estimated Net Effect on General Revenue	**($5,986,325)**	**Less than or greater than ($58,471,956) to less than or greater than ($55,558,150)**	**Less than or greater than ($135,490,449) to less than or greater than ($118,955,908)**	**Less than or greater than ($135,209,685) less than or greater than ($118,677,564)**	**Less than or greater than ($130,618,248) to less than or greater than ($114,925,273)**

Numbers within parentheses: () indicate costs or losses.

	ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	FY 2024	FY 2027
School District Trust Fund (0688)	$0	(Unknown, could be significant)	(Unknown, could be significant)	(Unknown, could be significant)	(Unknown, could be significant)
Conservation Commission Fund (0609)	$0	(Unknown, could be significant)	(Unknown, could be significant)	(Unknown, could be significant)	(Unknown, could be significant)
Parks and Soils State Sales Tax Fund(s) (0613 & 0614)	$0	(Unknown, could be significant)	(Unknown, could be significant)	(Unknown, could be significant)	(Unknown, could be significant)
Port Authority AIM Zone Fund*	$0	$0	$0	$0	$0
TIME Zone Fund*	$0	$0	$0	$0	$0
Total Estimated Net Effect on Other State Funds	**$0**	**(Unknown, could be significant)**	**(Unknown, could be significant)**	**(Unknown, could be significant)**	**(Unknown, could be significant)**

*Transfer In and Transfer Out, beginning in Fiscal Year 2024 and Fiscal Year 2022, respectively, are assumed to net zero ($0).

	ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	FY 2024	FY 2027
Total Estimated Net Effect on All Federal Funds		**$0**	**$0**	**$0**	

	ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	FY 2024	FY 2027
General Revenue Fund – DOR	0 FTE	0 FTE	0-3 FTE	0-3 FTE	0-3 FTE
General Revenue Fund - DED	0 FTE	1 FTE	1 FTE	1 FTE	1 FTE
Time Zone Fund - DED	0 FTE	0-1 FTE	0-1 FTE	0-1 FTE	0-1 FTE
Total Estimated Net Effect on FTE	**0 FTE**	**1-2 FTE**	**1-5 FTE**	**1-5 FTE**	**1-5 FTE**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

	ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	FY 2024	FY 2027
Local Political Subdivisions	$0	(Unknown, but could be significant)	(Unknown, but could be significant)	(Unknown, but could be significant)	(Unknown, but could be significant)
Local Government	**$0**	**(Unknown, but could be significant)**	**(Unknown, but could be significant)**	**(Unknown, but could be significant)**	**(Unknown, but could be significant)**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this proposed legislation may decrease Total State Revenues (TSR) by an amount that could exceed $108,981,374 to $130,390,248 once fully implemented.

This proposed legislation may impact the calculation under Article X, Section 18(e).

Section 67.1421 – Community Improvement Districts – Petition

Oversight notes Section 67.1421 modifies the criteria required to be included in the five-year plan required to be attached to any petition putting forth a proposal to establish a Community Improvement District.

Currently, the five-year plan must state a description of the purposes of the proposed district, the services it will provide, the improvements it will make and an estimate of costs of these services and improvements to be incurred.

Section 67.1421 is modified so that the five-year plan must state a description of the purposes of the proposed district, the services it will provide, each improvement it will make from the list of allowable improvements under Section 67.1461, an estimate of the costs of these services and improvements to be incurred, the anticipated sources of funds to pay the costs, and the anticipated term of the sources of funds to pay for the costs.

Oversight notes Section 67.1421 also modifies the required proposed length of existence of a Community Improvement District required to be attached to any petition putting forth a proposal to establish a Community Improvement District.

Currently, attached to any petition putting forth a proposal to establish a Community Improvement District is the proposed length of existence of a Community Improvement District

Section 67.1421 is modified so that the proposed length of time for the existence of the district, which in the case of districts established after August 28, 2021, shall not exceed twenty-seven (27) years from the adoption of the ordinance establishing the district unless the municipality extends the length of time under Section 67.1481.

Officials from the **City of Springfield (Springfield)** anticipate this section could cause an unknown negative fiscal impact as the result of the negative impact this section could have on economic development.

Oversight will not show a net fiscal impact as a result of the changes made to the Community Improvement District laws. Oversight assumes the changes put forth may or may not impact future Community Improvement Districts. However, Oversight assumes this would be an indirect impact of the proposed legislation.

<u>Section 67.1451 – Community Improvement Districts – Board of Directors</u>

Oversight notes Section 67.1451 sets out the qualifications for a district director if there are no registered voters in the district. This section is modified to state, in the case of districts established after August 28, 2021, if there are no registered voters in the district on the date the petition is filed, at least one director of the board governing the Community Improvement district shall, during his or her entire term, be a person who: 1) resides within the municipality that established the district, 2) is qualified and registered to vote under Chapter 115, according to the records of the election authority as of the thirtieth day prior to the date of the applicable election, 3) has no financial interest in any real property or business operating within the district, and 4) is not a relative within the second degree of consanguinity or affinity to an owner of real property or a business operating in the district.

In addition, Section 67.1451 states, in the case of districts established after August 28, 2021, if the board is to be elected, the petition shall require at least one member of the board be appointed by the governing body of the municipality in the same manner as provided in this section for board appointments. The appointed board member shall serve a four-year term.

Officials from the **City of Springfield (Springfield)** anticipate this section could cause an unknown negative fiscal impact as the result of the negative impact this section could have on economic development.

Oversight will not show a net fiscal impact as a result of the changes made to the Community Improvement District laws. Oversight assumes the changes put forth may or may not impact future Community Improvement Districts. However, Oversight assumes this would be an indirect impact of the proposed legislation.

<u>Section 67.1461 – Community Improvement Districts – Powers of District</u>

Oversight notes Section 67.1461 modifies the powers in which a Community Improvement District has.

Currently, a Community Improvement District may, within its boundaries, provide assistance to or to construct, reconstruct, install, repair, or maintain and equip various public improvements, including any other useful, necessary, or desired improvement.

Section 67.1461 is modified to state that “any other useful, necessary, or desired improvement” must be specified in the petition or any amendment to such petition.

Oversight notes Section 67.1461 is also modified to require all construction contracts after August 28, 2021, in excess of five thousand dollars ($5,000), between the district and any private person, firm, or corporation, to be competitively bid and shall be awarded to the lowest and best bidder.

Officials from the **City of Springfield (Springfield)** anticipate this section could cause an unknown negative fiscal impact as the result of the negative impact this section could have on economic development.

Oversight will not show a net fiscal impact as a result of the changes made to the Community Improvement District laws. Oversight assumes the changes put forth may or may not impact future Community Improvement Districts. However, Oversight assumes this would be an indirect impact of the proposed legislation.

<u>Section 67.1471 – Community Improvement Districts - Reporting</u>

Oversight notes Section 67.1471 modifies the annual report required to be filed with the municipal clerk and the Missouri Department of Economic Development.

Currently, Community Improvement Districts are required, within 120 days after the end of the fiscal year, to submit a report to the municipal clerk and the Missouri Department of Economic Development stating the services it provided, revenues collected, and expenditures made by the Community Improvement District during the fiscal year.

Section 67.1471 modifies the annual report by requiring the report to include the dates the district adopted its annual budget, submitted its proposed annual budget to the municipality, and submitted its annual report to the municipal clerk.

Officials from the **City of Springfield (Springfield)** anticipate this section could cause an unknown negative fiscal impact as the result of the negative impact this section could have on economic development.

Oversight will not show a net fiscal impact as a result of the changes made to the Community Improvement District laws. Oversight assumes the changes put forth may or may not impact future Community Improvement Districts. However, Oversight assumes this would be an indirect impact of the proposed legislation.

<u>Section 67.1481 – Termination of District</u>

Oversight notes Section 67.1481 modifies the term of the existence of a Community Improvement District.

Currently, each ordinance establishing a Community Improvement District shall set forth the term for the existence of such Community Improvement District which term may be defined as a minimum, maximum, or definite number of years.

Section 67.1481 is modified so that each ordinance establishing a Community Improvement District shall set forth the term for the existence of such Community Improvement District which term may be defined as a minimum, maximum, or definite number of years, but in the case of a Community Improvement District established after August 28, 2021, the term shall not exceed seven years except as otherwise provided.

Oversight notes Section 67.1481 is further modified to state, prior to the expiration of the term of a Community Improvement District (assumed to be prior to seven years after the adoption of the ordinance), a municipality may adopt an ordinance to extend the term of the existence of a district after holding a public hearing on the proposed extension. The extended term may be defined as a minimum, maximum, or definite number of years, but the extended term shall not exceed twenty-seven years.

Oversight notes, as put forth under Section 67.1421, the <u>proposed</u> length of time required to be attached to a petition putting forth a proposal to establish a Community Improvement District shall not exceed twenty-seven (27) years unless the municipality extends the length of time under Section 67.1481.

Oversight notes it appears contradictory for the <u>proposed</u> length of time required to be attached to a petition putting forth a proposal to establish a Community Improvement District to not exceed **twenty-seven** (27) years, unless the municipality extends the length of time under Section 67.1481, while the ordinance's <u>specified</u> term of existence of a Community Improvement District, under Section 67.1481, shall not exceed **seven** (7) years, which may be extended by twenty-seven years.

Officials from the **City of Springfield (Springfield)** anticipate this section could cause an unknown negative fiscal impact as the result of the negative impact this section could have on economic development.

Oversight will not show a net fiscal impact as a result of the changes made to the Community Improvement District laws. Oversight assumes the changes put forth may or may not impact future Community Improvement Districts. However, Oversight assumes this would be an indirect impact of the proposed legislation.

<u>**Section 67.1545 – Community Improvement Districts – Sales and Use Tax**</u>

Oversight notes Section 67.1545 is modified to state, in each district in which a sales tax is imposed, every retailer shall prominently display the rate of the sales tax imposed or increased at the cash register area.

Officials from the **City of Springfield (Springfield)** anticipate this section could cause an unknown negative fiscal impact as the result of the negative impact this section could have on economic development.

Officials from the **Office of Administration – Budget & Planning Division** state this section requires Community Improvement Districts to post a sign noting any sales tax rate imposed by the Community Improvement District and the state and local sales tax rates. This provision will not impact TSR or the calculation under Article X, Section 18(e).

Oversight will not show a net fiscal impact as a result of the changes made to the Community Improvement District laws. Oversight assumes the changes put forth may or may not impact future Community Improvement Districts. However, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 68.075 – Advanced Industrial Manufacturing Zones Act

Oversight notes, under current law, no new Advanced Industrial Manufacturing Zone (AIM Zone) may be established after August 28, 2023. This section extends that date to August 28, 2030.

An AIM Zone is an area identified through resolution passed by the Port Authority Board of Commissioners that is being developed or redeveloped for any purposes so long as any infrastructure and/or building built or improved is in the development area.

Any port authority located in this state may establish an AIM Zone.

Oversight notes fifty percent (50%) of the state tax withholdings imposed under Section(s) 143.191 to 143.265 on qualifying new job(s) created within an AIM Zone after development or redevelopment has commenced shall be deposited into Port Authority AIM Zone Fund in lieu of General Revenue (GR). In addition, the Port Authority AIM Zone Fund may receive appropriation from the General Assembly to be used for the administration of this program which is limited to no more than ten percent (10%) of the total amount deposited from withholding taxes on new jobs with an AIM Zone.

The Missouri State Treasurer is to disburse the funds held in the Port Authority AIM Zone Fund to port authorities.

The funds disbursed to port authorities are to be used for expansion, development and redevelopment of AIM Zones, managerial expenses, engineering, legal expenses, research, promotion expenses, planning, satisfaction of bonds, and any other expenses.

Oversight notes, based on information provided by the Department of Revenue, the following AIM Zones have been established:

AIM Zone	**Date of Adoption**
Port KC AIM Zone 1 - Richards Gebaur	10/17/2016
Port KC AIM Zone 2 - Northland Park	10/17/2016
Port KC AIM Zone 3 - Berkley Riverfront	12/18/2017
Port KC AIM Zone 4	10/28/2019
Hazelwood AIM Zone	3/13/2018
St. Louis Port District AIM Zone	6/13/2017
Lemay AIM Zone	7/11/2017
Former Jamestown Mall AIM Zone	10/10/2017
Kimmswick AIM Zone	9/14/2016

Based on additional information provided by the Department of Revenue, the Port Authority AIM Zone Fund received its first deposit in the amount of $1,125 in July 2020 (Fiscal Year 2021).

Oversight notes, other than the approximately $1,125 deposited into the Port Authority AIM Zone Fund, which was the first deposit recognized, which occurred in the current fiscal year (Fiscal Year 2021), there is little historical data or evidence available to estimate the impact of extending the date in which AIM Zones can be established.

For purposes of this fiscal note, Oversight will report a fiscal impact equal to $0 or a negative "Unknown" to GR beginning in Fiscal Year 2024 as a result of the unknown amount of state withholding tax that would be deposited into the Port Authority AIM Zone Fund in lieu of GR. Oversight assumes this reduction in withholding tax collections would not exceed $250,000.

Oversight will report the transfer into the Port Authority AIM Zone Fund (withholding tax deposited) equal to $0 or a positive "Unknown" beginning in Fiscal Year 2024 and will report the transfer out of the Port Authority AIM Zone Fund (disbursements to port authorities) equal to $0 or a negative "Unknown" resulting in a net zero ($0) fiscal impact.

Oversight will report a $0 or positive "Unknown" impact to Local Political Subdivisions (Port Authorities/AIM Zones) beginning in Fiscal Year 2024 as a result of the unknown amount of revenue such entities would receive from the Port Authority AIM Zone Fund and will report a cost to Local Political Subdivisions equal to $0 or (Unknown) as a result of the cost recognized for port authority expansion, development, and/or redevelopment.

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this section would extend the sunset date for the AIM Zone tax credit from 2023 to 2030. Because the section would only extend the sunset date, B&P estimates that this provision will not impact TSR or the calculation under Article X, Section 18(e).

Officials from the **Missouri Department of Revenue (DOR)** state this section extends the sunset date on the AIM Zone tax credit program from August 28, 2023 to August 28, 2030. This is a continuation of an existing program and is not expected to have an impact on DOR.

<u>Section 99.805 – Real Property Tax Increment Allocation Redevelopment – Definitions</u>

Oversight notes this section modifies the definition of "Blighted Area". This section removes from the definition the areas of improper subdivision or obsolete platting and removes the condition that retards morals that currently permit classification as a blighted area.

This section modifies the definition of "Conservation Area". This section removes morals from being a detrimental cause to become a blighted area.

This section requires that, for all redevelopment plans and projects approved on or after January 1, 2022, in a retail area, a conversation area meet the dilapidation factor as one of the three factors required.

This section establishes the definition of "Port Infrastructure Project". A port infrastructure project shall be docks and associated equipment, cargo and passenger terminals, storage warehouses, or any other similar infrastructure directly related to port facilities located in a port district and located within one-half of one mile of a navigable waterway.

This section establishes the definition of "Retail Area". A retail area shall be a proposed redevelopment building area for which more than fifty percent (50%) of the usable building square footage in the area is projected to be used by retail businesses, which shall be businesses that primarily sell or offer to sell goods to a buyer primarily for the buyer's personal, family, or household use and not primarily for business, commercial or agriculture use.

This section establishes the definition of "Retail Infrastructure Projects". Retail infrastructure projects shall be highways, roads, streets, bridges, sewers, traffic control systems and devices, water distribution and supply systems, curbing, sidewalks, storm water and drainage systems, or any other similar public improvements but in no case shall retail infrastructure projects include private structures.

Officials from the **City of Kansas City (Kansas City)** state the provisions in this section could have a negative fiscal impact on Kansas City if it makes it more difficult to have a Tax Increment Financing District.

Oversight will not show a net fiscal impact as a result of the changes made to the tax increment financing laws in this section. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 99.810 – Real Property Tax Increment Allocation Redevelopment – Redevelopment Plan

Oversight notes this section states a study shall be prepared by a land use planner, urban planner, licensed architect, licensed commercial real estate appraiser, or licensed attorney. The study shall detail how the area meets the definition of an area eligible to receive tax increment financing.

Oversight notes this section states no tax increment allocation financing shall be adopted in a retail area unless such financing is exclusively utilized to fund retail infrastructure projects or unless such area is a blighted area or conservation area. This provision, though, shall not apply to any tax increment allocation financing project or plan approved before August 28, 2021.

Oversight will not show a net fiscal impact as a result of the changes made to the tax increment financing laws in this section. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 99.820 – Real Property Tax Increment Allocation Redevelopment – Municipalities' Power and Duties

Oversight notes this section would require that a commission of twelve (12) persons be created as opposed to a commission of nine (9) persons. Such commission shall vote on all proposed redevelopment plans, redevelopment projects and designations of redevelopment areas, and amendments thereto and shall make recommendations concerning the adoption of or amendment to redevelopment plans and redevelopment projects and the designation of redevelopment areas.

Oversight will not show a net fiscal impact as a result of the changes made to the tax increment financing laws in this section. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 99.843 – Real Property Tax Increment Allocation Redevelopment – Greenfield Areas

Oversight notes this section prohibits new projects from being authorized in Greenfield areas.

Currently, tax increment financing projects may be authorized within Greenfield areas so long as such project is not located within a city not within a county or any county subject to the authority of the East-West Gateway Council of Governments.

This section prohibits any projects within Greenfield Areas.

Oversight will not show a net fiscal impact as a result of the changes made to the tax increment financing laws in this section. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 99.847 – Real Property Tax Increment Allocation Redevelopment – Flood Plains

Oversight notes this section prohibits new projects from being authorized in an area designated as a flood plain by the Federal Emergency Management Agency unless such project is located in: Jackson County, Jefferson County, Platte County, or Clay County, the City of St. Joseph, Cole County, the City of Springfield, the City of Hannibal, in a port district with such financing utilized for port infrastructure projects, or in a levee or drainage district so long as such district was created prior to August 28, 2021.

This section provides that projects within a flood plain within St. Charles County shall not be authorized unless the redevelopment area abuts a river or major waterway.

Oversight will not show a net fiscal impact as a result of the changes made to the tax increment financing laws in this section. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 99.848 – Real Property Tax Increment Allocation Redevelopment – Ambulance Districts, Fire Protection Districts, Governing Bodies Operating 911 Centers

Oversight notes this section is modified to reduce the number of districts that receive reimbursement from the Special Allocation Fund. Currently, any district or county imposing a property tax for the purposes of providing emergency services shall be entitled to reimbursement from the Special Allocation Fund in the amount of at least fifty percent (50%) but mo more than one hundred percent (100%) of the district's tax increment.

This section modifies who may be entitled to such reimbursement stating only ambulance districts, fire protection districts or any governing body operating a 911 center shall be entitled to reimbursement.

Oversight assumes the various changes to the Special Allocation Fund may impact the distributions of those funds from various projects – but would net to zero ($0) across the local political subdivisions / districts.

<u>Section 143.088 – Individual Income Tax</u>

Oversight notes this section states, for all tax years beginning on or after January 1, 2022, there shall be no tax imposed under this chapter on the first fifty-thousand dollars ($50,000) of income of any person who is under twenty-three (23) years of age on the first day of the tax year.

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state, beginning with Tax Year 2022, this section would exempt the first $50,000 of income for individuals younger than 23 from income taxes. B&P notes that this would include wage/salary income, business income, capital gains income, rental income, farm income, etc. B&P also notes that this would apply to any income earned by a businesses, if such business is owned by a qualifying individual.

Based on data published by the U.S. Census Bureau there were 112,591 householders age 25 or younger in 2019. B&P notes that these numbers do not include individuals residing with their parents or other family members. B&P further notes that this includes individuals age 23 and 24, while the exemption would only apply to individuals aged 22 or younger. B&P is unsure as to the extent that the two limitations offset one another, therefore the actual impact could be less than or exceed the estimates shown below. Table 1 shows the number of householders by income range.

Table 1: Number of Householders by Income

Income Range	# Householders
Less than $10,000	18982
$10,000 to $14,999	8691
$15,000 to $19,999	9033
$20,000 to $24,999	9795
$25,000 to $29,999	8540
$30,000 to $34,999	8469
$35,000 to $39,999	7449
$40,000 to $44,999	6815
$45,000 to $49,999	5590
$50,000 to $59,999	10991
$60,000 to $74,999	8653
$75,000 to $99,999	6277
$100,000 to $124,999	2013
$125,000 to $149,999	746
$150,000 to $199,999	321
$200,000 or more	226

B&P notes that an exemption does not reduce revenues on a dollar for dollar basis, but rather depends on the top Individual Income Tax rate. B&P notes that the current top tax rate is 5.4%, with three (3) 0.1% reductions scheduled to occur based on growth triggers. Based on current revenue forecasts and average revenue growth, B&P estimates that revenues in Fiscal Year 2021, Fiscal Year 2024, and Fiscal Year 2025 will reach the SB 509 (2014) growth trigger requirement for reductions to the top rate of tax. Therefore, the top rate of tax will be reduced by 0.1% in Tax Year(s) 2022, 2025, and 2026 under SB 509 (2014).

Therefore, B&P estimates that this section may reduce TSR and GR by $103,081,340 to $125,332,777 (top rate 5.3%) in Tax Year 2022. Table 2 shows the estimated impact by tax year.

Table 2: Exemption Loss by Calendar Year

Tax Year	Top Tax Rate	Low	High
2022	5.30%	($103,081,340)	($125,332,777)
2023	5.30%	($102,866,948)	($125,116,011)
2024	5.30%	($102,566,689)	($124,813,269)
2025	5.20%	($100,779,149)	($122,606,383)
2026	5.10%	($98,981,374)	($120,390,248)

However, because the tax exemption would take effect January 1, 2022, individuals will adjust their withholdings and declarations during Fiscal Year 2022. Therefore, B&P estimates that this section may reduce TSR and GR by $43,294,163 to $52,639,767 in Fiscal Year 2022. Once SB 509 (2014) has fully implemented this section may reduce TSR and GR by $98,981,374 to $120,390,248 annually. Table 3 shows the estimated impact by fiscal year.

Table 3: Exemption Loss by Fiscal Year

Fiscal Year	Low	High
2022	($43,294,163)	($52,639,767)
2023	($102,991,295)	($125,241,735)
2024	($102,740,839)	($124,988,859)
2025	($101,815,922)	($123,886,377)
2026	($100,024,084)	($121,675,606)
2027	($98,981,374)	($120,390,248)

Officials from the **Missouri Department of Revenue (DOR)** state this section, starting January 1, 2022, would allow no tax to be assessed on the first fifty thousand dollars of income of a taxpayer under the age of 23. They must be under 23 on January 1st each year to qualify.

DOR does not require proof of age at the time of filing a tax return and therefore, DOR is unable to use taxpayer information to calculate this fiscal note.

The 2019 5-Year American Community Survey done by the US Census Bureau reports Missouri's aggregate household income for households under the age of 25.

It should be noted that the American Community Survey is for those under 25 while this section is only for those under 23. However, DOR is unable to reduce the calculation based on those 23 so it should be assumed the reported impact may be overestimated. Additionally, this Survey only accounts for those persons who are householders and not those that may still be living with parents or other relatives. Therefore, any estimate could be underestimated.

The calendar year exemption would be based on the current tax rate of 5.3% projected for 2022-2024.

Table 1: Exemption Loss by Calendar Year

Tax Year	Top Tax Rate	Low	High
2022	5.30%	($103,081,340)	($125,332,777)
2023	5.30%	($102,866,948)	($125,116,011)
2024	5.30%	($102,566,689)	($124,813,269)
2025	5.20%	($100,779,149)	($122,606,383)
2026	5.10%	($98,981,374)	($120,390,248)

DOR uses a 42% / 58% split in the first year to the second year when converting from calendar (tax year) to fiscal year.

Table 2: Exemption Loss by Fiscal Year

Fiscal Year	Low	High
2022	($43,294,163)	($52,639,767)
2023	($102,991,295)	($125,241,735)
2024	($102,740,839)	($124,988,859)
2025	($101,815,922)	($123,886,377)
2026	($100,024,084)	($121,675,606)
2027	($98,981,374)	($120,390,248)

For purposes of this fiscal note, **Oversight** will report the revenue reduction(s) as estimated by B&P and DOR.

Section(s) 143.121 & 143.171 – Taxation of Economic Stimulus Payments

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state **Section 143.121** states that a taxpayer shall not include any federal refunds related to COVID-19 stimulus tax credits in their Missouri adjusted gross income (MAGI). B&P notes that individuals who itemize their tax deductions may be required to include federal tax refunds within their MAGI. This provision would exclude refunds due to the COVID-19 stimulus tax credit from this requirement. B&P further notes that this would exempt both the tax credit rebates from the Coronavirus Response & Relief Supplemental Appropriation Act (December 2020) and the American Recovery Plan (March 2021).

B&P notes that there have been three (3) COVID related economic stimulus payments thus far. B&P further notes that SB 676 (2020) previously exempted the first tax credit/stimulus payments resulting in a federal income tax refund from inclusion in a taxpayer's MAGI. Therefore, this section would exempt the second and third rounds of payments/credits. This section would also exempt any potential future issuances of COVID related stimulus payments.

Section 143.171 would allow taxpayers to add their COVID-19 stimulus tax credit amount back to their final federal tax due amount, for the purpose of taking the Missouri federal income tax (FIT) deduction. B&P notes that typically anything that reduces federal income taxes due would also reduce the federal income tax deduction amount. B&P further notes that this would exempt both the tax credit rebates from the Coronavirus Response & Relief Supplemental Appropriation Act (December 2020) and the American Recovery Plan (March 2021).

B&P notes that there have been three (3) COVID related economic stimulus payments thus far. B&P further notes that SB 676 (2020) previously exempted the first tax credit/stimulus payments resulting in a federal income tax refund from inclusion in a taxpayer's MAGI. Therefore, this section would exempt the second and third rounds of payments/credits. This section would also exempt any potential future issuances of COVID related stimulus payments.

B&P also notes that only the portion of the tax credits that are claimed on a taxpayer's federal final annual return (i.e. any amount of the credit not directly mailed) would lower the taxpayer's federal tax liability. This would then lower the taxpayer's Missouri FIT deduction, causing an increase to their Missouri tax liability. For example: If an individual received a direct payment of $600 for himself or herself, but qualified for an additional $600 then that individual's federal income tax liability could be lowered by the additional $600 rebate they claim when they file their federal 2020 tax return. This in turn could lower their Missouri FIT deduction. The $600 direct payment that the taxpayer received is treated as a non-taxable transfer payment. The direct payment will not impact a taxpayer's federal tax liability and will thus not impact a taxpayer's Missouri FIT deduction.

The second stimulus payments/credits are $600 per taxpayer plus an additional $600 per dependent under age 17. The payments begin to phase-out based on a taxpayer's federal adjusted gross income. For taxpayers filing single, the credit begins to phase out at $75,000. For married taxpayer filing a joint return, the credit begins to phase out at $174,000. For taxpayers filing as head of household, the credit beings to phase out at $124,500. B&P estimates that single returns claim an average of 1.42 children, married filing joint returns claim an average of 2.02 children, and head of household returns claim an average of 1.48 children. Table 1 shows the tax credit, income phase out, and the estimated average tax credit for Missouri taxpayers.

Table 1: Economic Impact Payments – 2nd round

Filing Status	Max Base Income	Base Credit	Credit Per Dependent	Avg Number of Dependents*	Estimated Avg Credit	Final Phase-Out Income (no dependents)	Final Phase Out Income (avg # dependents)
Single	$75,000	$600	$600	1.42	$1,452.00	$87,000	$104,020
Married Filing Joint	$150,000	$1,200	$600	2.02	$2,412.00	$174,000	$198,220
HOH	$112,500	$600	$600	1.48	$1,488.00	$124,500	$142,240

*Based on tax year 2017 Missouri return data.

Based on information published by the Washington Post, the total number of expected payments for the second stimulus is 158 million and approximately 20 million individuals will be required to apply for the tax rebate on their annual tax return in order to receive their stimulus payment. Therefore, B&P assumes that 12.7% of taxpayers nationally could have their federal tax liability lowered due to the rebate. For the purpose of this fiscal note, B&P will assume that 12.7% of Missouri taxpayers will also receive their stimulus payments as a rebate on their tax return.

The third stimulus payments/credits were $1,400 per taxpayer plus an additional $1,400 per dependent under age 17. The payments begin to phase-out based on a taxpayer's federal adjusted gross income. For taxpayers filing single, the credit begins to phase out at $75,000. For married taxpayer filing a joint return, the credit begins to phase out at $150,000. For taxpayers filing as head of household, the credit beings to phase out at $112,500. B&P estimates that single returns claim an average of 1.42 children, married filing joint returns claim an average of 2.02 children, and head of household returns claim an average of 1.48 children. Table 2 shows the tax credit, income phase out, and the estimated average tax credit for Missouri taxpayers.

Table 2: American Recovery Plan (3rd stimulus)

Filing Status	Max Base Income	Base Credit	Credit Per Dependent	Avg Number of Dependents*	Estimated Avg Credit	Final Phase-Out Income
Single	$75,000	$1,400	$1,400	1.42	$3,388.00	$80,000
Married Filing Joint	$150,000	$2,800	$1,400	2.02	$5,628.00	$160,000
HOH	$112,500	$1,400	$1,400	1.48	$3,472.00	$120,000

*Based on tax year 2017 Missouri return data.

B&P notes that the number or percentage of individuals that will have to claim all or part of the third stimulus payment on their 2021 taxes is still unknown. For the purpose of this fiscal note, B&P will assume that the same 12.7% of the population that did not receive a direct payment for the second stimulus will also not receive the direct payment for the third stimulus. B&P notes however, that the IRS has until September 2021 to make the direct payments. Therefore, the percentage of individuals claiming the rebate on their 2021 taxes may be lower than the percent that had to claim the second rebate on their 2020 taxes.

Using 2018 tax year data, the most recent complete year available, and adjusting for SB 509 (2014) and HB 2540 (2018), B&P estimates that this provision could reduce GR by $5,986,325 for the second stimulus payment and $5,759,530 for the third stimulus payment.

B&P notes that rebates for the second stimulus package will be taken on tax year 2020 returns. B&P further notes that the rebates for the third stimulus package will be taken on a taxpayer's 2021 tax return.

For the purpose of this fiscal note, B&P will assume that taxpayers will either file or be able to amend their 2020 tax returns during Fiscal Year 2021. Therefore, B&P will show the estimated impact from the second stimulus payment during Fiscal Year 2021. However, it is likely that taxpayers will not be able to amend their 2020 tax returns until Fiscal Year 2022, in which case the loss shown to Fiscal Year 2021 will shift into Fiscal Year 2022.

B&P also notes that it is unknown whether there will be additional stimulus packages passed during the 2021 tax year. B&P estimates that these sections may reduce TSR and GR by an amount that could exceed $5,986,325 in Fiscal Year 2021. These sections may reduce TSR and GR by an amount that could exceed $5,759,530 in Fiscal Year 2022. These sections are not expected to have an impact beyond Fiscal Year 2022.

Officials from the **Missouri Department of Revenue (DOR)** state, in response to the COVID pandemic, the U.S. Congress authorized the Internal Revenue Service to make economic stimulus payments to taxpayers. The first round of the economic stimulus payments were issued beginning in April 2020 under the CARES ACT. A second round was distributed starting in December 2020 under the Consolidated Appropriations Act. These were issued by the IRS as tax credits against taxpayer's 2020 tax return. A third round of economic payments were issued in March 2021 as a result of the American Rescue Plan. This third payment will be issued as tax credits against the taxpayer's 2021 tax return. It was the intention of the U.S. Congress to make these stimulus payments tax free at the federal level.

However, due to the way Missouri's federal income tax (FIT) deduction works, items that decrease the federal income tax would reduce the Missouri FIT deduction which would cause an increase in a taxpayer's Missouri tax liability. The intent of this legislation is to exclude these payments from the Missouri FIT calculation and not impact a taxpayer's tax liability.

SB 676 (2020) previously exempted the first economic stimulus payments that were issued in April 2020, from inclusion in a taxpayer's FIT deduction.

DOR notes that many of the economic stimulus payments were mailed directly to taxpayers. These direct payments do not impact a taxpayer's federal liability and are not subject to the Missouri FIT deduction.

However, in some instances individuals may have qualified for an economic stimulus payment and have not received them through direct payment. As an example, the IRS announced that qualifying widows and widowers would be required to file their 2020 tax return to claim the stimulus payment. Additionally, some parents who did not get the amount they qualify for because of the children they report as dependents could also be required to complete their 2020 to get their stimulus payment. The requirement to file the 2020 tax return to receive the stimulus payment would trigger the taxability of the payment under the Missouri FIT deduction.

The second stimulus payments, which were issued in December 2020, are $600 per taxpayer plus an additional $600 per dependent under age 17. The payments begin to phase-out based on a taxpayer's federal adjusted gross income. For taxpayers filing single, the credit begins to phase out at $75,000 and those over $87,000 are not eligible. For married taxpayers filing a joint return, the credit begins to phase out at $150,000 and those over $174,000 are not eligible. For taxpayers filing as head of household, the credit beings to phase out at $112,500 and those over $124,500 are not eligible.

The third stimulus payments were issued in March 2021 and are $1,400 per taxpayer plus an additional $1,400 per dependent. However, the income limits for eligible taxpayers were reduced. Taxpayers filing single with adjusted gross income over $80,000 are not eligible. For married taxpayers filing a joint return with an adjusted gross income over $160,000 are not eligible. For taxpayers filing as head of household with an adjusted gross income of $120,000 are not eligible.

DOR estimates that single returns claim an average of 1.42 children, married filing joint returns claim an average of 2.02 children, and head of household returns claim an average of 1.48 children. Table 1 shows the tax credit, income phase out, and the estimated average tax credit for Missouri taxpayers.

Table 1: Economic Impact Payments – 2nd round

Filing Status	Max Base Income	Base Credit	Credit Per Dependent	Avg. Number of Dependents*	Estimated Avg. Credit	Final Phase-Out Income (no dependents)	Final Phase Out Income (avg. # dependents)
Single	$75,000	$600	$600	1.42	$1,452.00	$87,000	$104,020
Married Filing Joint	$150,000	$1,200	$600	2.02	$2,412.00	$174,000	$198,220
HOH	$112,500	$600	$600	1.48	$1,488.00	$124,500	$142,240

*Based on tax year 2017 Missouri return data.

Based on information published by the Washington Post, the total number of expected payments for the second stimulus is 158 million and approximately 20 million of those taxpayers will be required to apply for the stimulus payment on their 2020 federal tax return in order to receive their payment. Therefore, DOR assumes that 12.7% of taxpayers nationally could have their federal tax liability lowered due to the rebate. For the purpose of this fiscal note, DOR will use the 12.7% figure as the number of Missouri taxpayers who will also receive their stimulus payments as a rebate on their tax return.

Using 2018 tax year data, the most recent complete year available, and adjusting for SB 509 (2014) and HB 2540 (2018), DOR estimated previously that this provision could reduce General Revenue by $20,408,809. DOR reviewed this projection and realized that it used 12.7% of all tax filers instead of just the 12.7% of those that claim the FIT deductions. This resulted in an overestimation of the amount that would be impacted. The new projection is estimated to result in a loss of General Revenue of $5,964,957 in Fiscal Year 2021 and $5,735,960 in Fiscal Year 2022.

DOR notes that this estimate only includes qualifying individuals who did not receive a direct stimulus payment. There may be more individuals who receive a partial rebate on their final return, if they were entitled to a larger direct payment than what was originally received. Therefore, this section could decrease TSR by more than the estimate shown above.

For the purpose of this fiscal note, DOR will assume that these second round stimulus payments will all be claimed on the 2020 federal tax return and impact the Missouri 2020 tax year returns (being filed starting in January 2021). DOR is unable to predict if any additional economic stimulus payments will be issued by the IRS during the 2021 tax year. Therefore, this section is estimated to have an unknown impact in Fiscal Year 2022, when Tax Year 2021 returns are filed. Therefore, DOR assumes this section may reduce TSR and GR by an amount that could exceed $5,964,957 in Fiscal Year 2021 and $5,735,960 in Fiscal Year 2022. This section may reduce TSR and GR by an unknown amount greater than $5,735,960 if additional stimulus payments are issued in Fiscal Year 2022. This section is assumed to not have an impact beyond Fiscal Year 2022.

Oversight notes, it is assumed that the impact(s) of COVID-19 stimulus credits are in relation to the taxpayers that qualified for such stimulus but did not receive such by a check or direct deposit. Rather, such individuals must first file the applicable tax return(s) to receive such stimulus, at which point such stimulus would impact their federal tax liability/refund resulting in associated impact(s) to Missouri's Individual Income Tax.

Oversight notes the estimate(s) provided by B&P and DOR were calculated using an internal tax model that contains confidential taxpayer information.

Oversight notes that it **does not currently have the resources and/or access to state tax data** to produce an independent revenue estimate and is unable to verify the revenue estimates provided by B&P and DOR.

For purposes of this fiscal note, **Oversight** will report a revenue reduction equal to an amount that "Could exceed" the estimate(s) provided by B&P in Fiscal Year 2021 and Fiscal Year 2022.

<u>Section 620.1039 – Tax Credit for Qualified Research Expenses</u>

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this section reauthorizes the tax credit for qualified research expenses. A taxpayer may receive a tax credit in an amount equal to the greater of: 15% of the taxpayer's additional qualified research expenses or 20% of the taxpayer's additional qualified research expenses if such expenses relate to research conducted in conjunction with a public or private college or university located in this state.

This credit would have a 12 year carry forward provision. The credits may be transferred, sold, or assigned. The cap on the credits is $10 million, provided that $5 million shall be reserved for minority business enterprises, women's business enterprises, and small businesses. Any reserved amount not issued or awarded to a minority business enterprise, women's business enterprise, or small business by November 1 of the tax year may be issued to any taxpayer otherwise eligible. No single taxpayer shall be issued or awarded more than $300,000 in tax credits in any year.

GR and TSR may be reduced by up to $10 million, starting in Fiscal Year 2023.

There is also a sales tax exemption. It is unknown how many businesses would utilize the sales tax exemption or the fiscal impact of such a sales tax exemption. Therefore GR and TSR may be reduced by an amount that could exceed $10 million, starting in Fiscal Year 2023.

This program may encourage economic activity. B&P cannot estimate additional induced revenues.

The section could impact the calculation under Article X, Section 18(e).

Officials from the **Missouri Department of Revenue (DOR)** state this section would reinstate the expired qualified research tax credit program starting January 1, 2022. The original program stopped in 2005.

This section creates a tax credit in an amount up to 15% of the excess of the taxpayer's qualified research expense or 20% of the excess of the taxpayer's qualified research expense if those expenses are related to university research. Starting January 1, 2022 this allows the credit to be carried forward for twelve years and imposes a cap of $10 million. This section requires that $5 million of the credit be reserved for minority business enterprises, women's business enterprises and small businesses. Each taxpayer is limited to $300,000 in credits.

DOR notes this section would begin in January 1, 2022 and would be claimed on the returns starting in January 2023 (Fiscal Year 2023). DOR assumes that since this section has a cap of $10 million annually it would be expected to be a loss to general revenue of the $10 million.

This section creates a state and local sales and use tax exemption for all purchases of qualified research and development equipment and property. This section does not cap the amount of sales tax exemption that can be claimed nor is it bound by the $10 million cap of the tax credit. There is no limit on the amount of the sales tax exemption a taxpayer could receive.

This section would result in a loss to the sales tax funds. DOR is unable to determine how many businesses will qualify for the mix of tax credits and sales tax exemptions or the amount of equipment that would become exempt from the sales tax due to these qualified research projects. This would be an unknown loss to General Revenue, School District Trust Fund, Conservation Commission, and the Park, Soil & Water Funds.

DOR assumes one (1) FTE Associate Customer Service Representative is required for every $6,000 tax credits redeemed, one (1) Customer Service Representative for every 4,000 tax credit transfers with CISCO phones and licenses, one (1) FTE Associate Customer Service Representative for every 7,600 errors/correspondence generated and additional funds for forms and programming changes.

For purposes of this fiscal note, since the actual number of tax credit redemptions that will occur is unknown, **Oversight** will report DOR's impact "Up to" the three (3) FTE(s) estimated by DOR.

Officials from the **Missouri Department of Commerce and Insurance (DCI)** anticipate a potential unknown decrease of premium tax revenues (up to the tax credit limit established in the bill) as a result of the modification of the Qualified Research 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 and which insurers will qualify for the tax credit.

DCI will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, DCI may need to request more expense and equipment appropriation through the budget process.

Oversight notes DCI assumes the fiscal impact of this proposed legislation can be absorbed with existing appropriation. However, should multiple bills pass that would require additional updates to DCI's premium tax database, DCI may seek additional equipment and expense appropriation through the appropriation process.

In response to similar legislation (HB 690 – 2021), officials from the **Missouri Department of Economic Development (DED)** stated this section modifies the Qualified Research Expense Tax Credit which will reduce TSR by an amount "Up to" $10 million annually.

DED assumed one (1) FTE Senior Economic Development Specialist will be needed to administer the tax credit program.

Oversight notes the prior Tax Credit for Qualified Research Expenses expired for all tax years beginning on or after January 1, 2005. Therefore, for purposes of this fiscal note, Oversight will include DED's FTE administrative cost(s), as reported by DED, less the "In-State" and "Out of State" travel costs reported as this proposed legislation does not require that DED visit, evaluate or audit any site(s).

Oversight notes this section would, beginning in Tax Year 2022, authorize a tax credit equal to fifteen percent (15%) of the taxpayer's additional qualified research expenses or, if such qualified research expenses relate to research conducted in conjunction with a public or private college or university located in this state, twenty percent (20%) of the taxpayer's additional qualified research expenses.

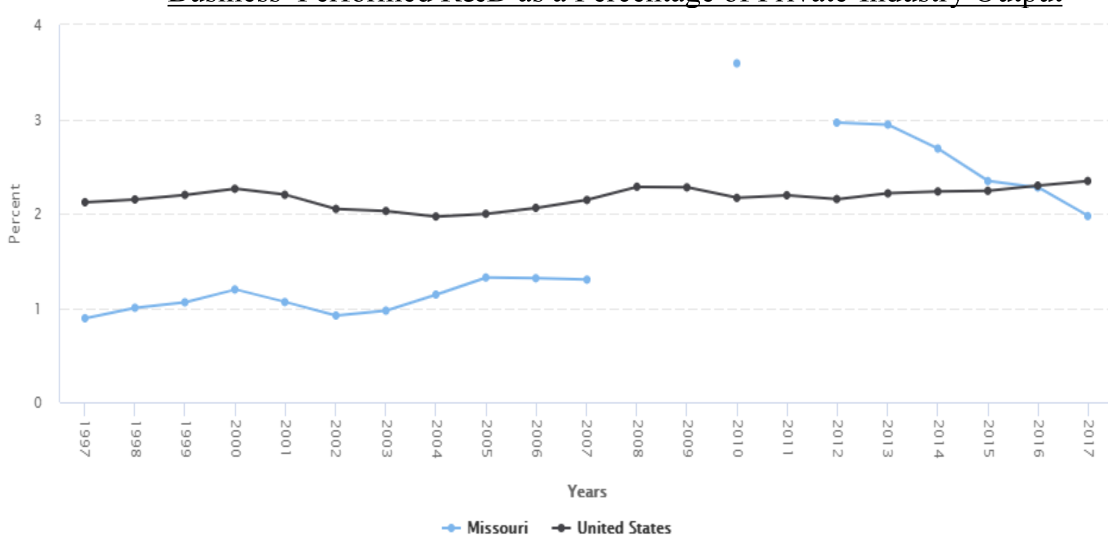
Oversight notes, "Additional Qualified Research Expenses" are defined as "the difference between qualified research expenses… incurred in a tax year subtracted by the average of the taxpayer's qualified research expenses incurred in the three immediately preceding tax years".

Oversight assumes, then, that the tax credit would be calculated similar to the following example:

Tax Credit Allocation Example		
Tax Year	**Total Research Expenses**	
2019	$85,000,000	
2020	$96,000,000	
2021	$100,000,000	
	Three Year Average	**$93,666,667**
2022	$109,000,000	
	Amount In Excess of Three Year Average	**$15,333,333**
Tax Credit	**Equal to 15% or 20% of Excess**	**$2,300,000 or $3,066,667**

Oversight notes, per the National Center for Science and Engineering Statistics, Missouri's business-performed research and development (as a percentage of private-industry output) recognized a continuous decline between 2012 and 2017 (the most recent year reported).

Business–Performed R&D as a Percentage of Private-Industry Output



Oversight notes the trend line(s) shown above report the business-performed research and development as a percentage of private-industry output. Thus, the assumption could be that Missouri's business-performed research and development has not truly declined; but rather Missouri's private-industry output has continuously increased by amounts greater than the increase in Missouri's business-performed research and development. The following data, however, suggests that Missouri's business-performed research and development **has** been declining.

Oversight notes, per the Missouri Economic Research and Information Center, of Missouri's overall Gross State Product (GSP) of $290,956,000,000 (chained) recognized in 2019, $258,600,000,000 was contributed by Missouri's private sector. This suggests Missouri's private sector output contributed approximately 89% to Missouri's GSP in 2019.

Assuming that Missouri's private sector contribution to Missouri's GSP is constant (89%) each year, Oversight has estimated Missouri's business-performed research and development, as a dollar amount, using Missouri's annual GSP and Missouri's business-performed research and development as a percentage of private-industry output:

Year	Missouri Chained GSP (Actual)	Estimated Private Sector Contribution To Total GSP (89%)	Missouri Research and Development - As A Percent of Private-Industry Output	**Estimated Missouri Business-Performed Research and Development ($)**
2014	$ 273,171,000,000	$ 242,792,795,474	2.69%	**$ 6,531,126,198**
2015	$ 276,700,000,000	$ 245,929,350,142	2.34%	**$ 5,754,746,793**
2016	$ 275,501,000,000	$ 244,863,685,918	2.28%	**$ 5,582,892,039**
2017	$ 278,192,000,000	$ 247,255,431,062	1.97%	**$ 4,870,931,992**

Based on the data above, Oversight assumes business-performed research and development in Missouri did decline during 2012-2017.

Based on the data above, Missouri's three (3) year average estimated business-performed research and development totals $5,956,255,010 (2014 – 2016). Based on the data above, Missouri's estimated business-performed research and development in 2017 totaled $4,870,931,992. This suggests that there would be no amount in excess of the three (3) year average to be used to calculate a tax credit.

Oversight notes, though, that the data reported above are a representation of the State of Missouri as a whole, and not each individual business.

Should the assumption be accepted that each of Missouri's individual business's research and development trends follow that of Missouri as a whole, Oversight assumes no tax credits would be authorized under this section (u**nless research and development has increased since the last year reported**).

Oversight assumes, though, such an assumption is not likely; some businesses in Missouri may recognize increased research and development each year, even as the state, as a whole, recognizes a continuous decrease.

Oversight notes this section states, for all tax years beginning on or after January 1, 2022, the aggregate of all tax credits authorized under this section shall not exceed ten million dollars ($10,000,000) in any year. Five million dollars ($5,000,000) of such ten million dollars ($10,000,000) shall be reserved for minority business enterprises, women's business enterprises, and small businesses. Any reserved amount not issued or awarded to a minority business enterprise, women's business enterprise, or small business by November first of the tax year may be issued to any taxpayer otherwise eligible for a tax credit under this section. No single taxpayer shall be issued or awarded more than three hundred thousand dollars in tax credits under this section in any year.

In the event that the total eligible claims for credits received in a calendar year exceed the annual cap, each eligible claimant shall be issued credits based on a pro-rata basis, given that all new businesses, defined as a business less than five years old, are issued full tax credits first.

The provisions of this section shall sunset December 31st, six years after the effective date of this section.

Since the actual amount of future tax credit authorization(s) is <u>unknown</u>, for purposes of this fiscal note, Oversight will report a revenue <u>reduction</u> to GR equal to an amount "Up to" the $10,000,000 cap beginning in Fiscal Year 2023.

Oversight notes, <u>in addition to</u> the tax credit created, this section states the purchase of Missouri qualified research and development equipment is hereby specifically exempt from all state and local sales and use tax including, but not limited to, sales and use tax authorized or imposed under Section 32.085 and Chapter 144.

Officials from the **Missouri Department of Natural Resources (DNR)** state allowing for the exemption of state and local sales and on the purchase of Missouri Qualified Research and Development Equipment as defined in this section could decrease the amount of funding available in the Parks and Soils Sales Tax Funds for long term operation of Missouri's State Parks and Historic Sites and assistance to agricultural landowners through volunteer programs.

DNR's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Therefore, the sales tax exemption could result in an unknown decrease in revenue to the Parks and Soils Sales Tax Funds.

The fiscal impact is unknown. DNR assumes the Missouri Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this section.

Oversight assumes many products could be considered equipment of qualified research and development and is unable to determine an appropriate measure to estimate the fiscal impact of this provision.

For purposes of this fiscal note, since the actual and true impact of the sales tax exemption is unknown, **Oversight** will report a revenue reduction equal to an unknown amount beginning in Fiscal Year 2022 for each state fund that receives state sales and tax revenues and to local political subdivisions. Oversight assumes the revenue reduction that would be recognized as the result of the sales tax exemption for qualified research and development equipment could be significant.

Section 620.2020 – Missouri Works Program

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this section allows for an extension for the filing of annual reports under the Mo Works Program. A failure to submit the report by the end of any extension shall result in the forfeiture of tax credits and a recapture of withholding tax. B&P cannot estimate how many companies would have their tax credits forfeited or withholding taxes recaptured, therefore B&P estimates that this will have an unknown impact to TSR.

Officials from the **Missouri Department of Revenue (DOR)** state this section allows the Missouri Department of Economic Development to grant an extension in certain circumstances to companies that are required to file annual reports to receive MO Works tax credit benefits. This will not fiscally impact DOR.

Oversight notes qualified companies or qualified military projects that receive benefits under the Missouri Works Program are required to file annual reports indicating the number of jobs created and retained and such other information as required by the Missouri Department of Economic Development.

Currently, if a qualified company or a qualified military project fails to file such annual report timely, the benefits and tax credits attributable to the year for which the reporting was required **are required** to be recaptured.

Oversight notes this proposed legislation states, if a qualified company fails to timely file the required annual report, the Missouri Department of Economic Development shall communicate with an employee that is separate from the original point of contact to inform the qualified company of the failure to timely file the annual report.

Oversight notes this proposed legislation states if a qualified company requests, in writing, an extension within thirty days of the deadline to file the annual report, the Missouri Department of Economic Development **shall** grant one thirty-day extension beginning on the date that the Missouri Department of Economic Development received the request.

Oversight notes this proposed legislation states that the failure to submit the annual report by the end of the extension **shall** result in the forfeiture of the tax credits and a recapture of withholding tax.

Oversight notes both qualified companies **and** qualified military projects are required to file the annual report. However, this proposed legislation specifically allows a "qualified company" to request, and be granted, an extension. Oversight notes Section 620.2005 identifies a "Qualified Company" and a "Qualified Military Project" individually and separately.

Therefore, as written, **Oversight** assumes only qualified companies would be allowed to request, and be granted, an extension to file the required annual report.

Oversight assumes, then, this proposed legislation **could** result in a lesser amount of Missouri Works Program benefits being recaptured in future years should qualified companies request, and be granted, one thirty-day extension to file the required annual report and successfully file such report by the end of the extension.

Based on information received from the Missouri Department of Economic Development (DED), DED has recaptured the following amount(s) as the result of the failure to timely file the required annual reports by qualified companies or qualified military projects:

Tax Year	**Due In**	**Amount Recaptured**	**Number of Projects**
2017	2018	$61,356	2
2018	2019	$289,535	2
2019	2020	$715,899	4

Oversight notes current statute does not specifically state where recaptured Missouri Works Program benefits are to be deposited. For purposes of this fiscal note, Oversight will assume recaptured amount(s) are deposited into General Revenue (GR).

For purposes of this fiscal note, **Oversight** will report a revenue reduction to GR equal to a range beginning at $0 (annual reports continue to be filed timely and/or the amount of benefit that would currently be recaptured is still recaptured) "up to or could exceed" $715,899 (the most recent amount recaptured – amount(s) not recaptured as a result of the extension created) beginning in Fiscal Year 2022.

Oversight notes this proposed legislation states a qualified company that had an annual report due between January 1, 2020 and September 1, 2021 shall **not** be subject to the forfeiture of tax credits attributable to the year for which the reporting was required or the recapture of withholding taxes retained by the qualified company or qualified military project during such year so long as the annual report is filed with the Missouri Department of Economic Development by November 1, 2021.

Oversight notes, based on the information provided by DED, $715,899 has already been recaptured as the result of the failure to timely file the required annual report that was due in Calendar Year 2020. Oversight assumes the amount(s) recaptured fall within the "exemption period".

Oversight notes it is unclear whether the Missouri Department of Economic Development would be required to "give back" the amount(s) already recaptured for the failure to timely file the annual report due in Calendar Year 2020 and any amounts potentially recaptured during the applicable period in of Calendar Year 2021.

For purposes of this fiscal note, **Oversight** will report a revenue reduction to GR equal to a range beginning at $0 (DED is **not** required to "give back" the amount of benefits already recaptured in Calendar Year 2020 and all other annual reports are filed timely) "up to or could exceed" $715,899 (the total amount recaptured for Calendar Year 2020 [and any amount potentially recaptured in Calendar Year 2021] **is** given back to the qualified company and any amount that would have otherwise been recaptured as the result of the failure to timely file the annual report) in Fiscal Year 2022.

Section 620.2250 – Target Industrial Manufacturing Enhancement Zones

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this section allows for 25% of the state tax withholdings on new jobs within a TIME zone to be deposited into the TIME zone fund, newly created, rather than the General Revenue Fund.

The total amount of withholding taxes retained by all TIME zones shall not exceed $5 million per fiscal year. B&P will show an impact of up to $5 million deposited into the TIME zone fund and (up to $5 million) from General Revenue.

This section may encourage other economic activity, but B&P does not have data to estimate induced revenues.

Officials from the **Missouri Department of Revenue (DOR)** state this section allows for the diversion of 25% to 50% of the state tax withholding on new jobs to not be remitted to General Revenue and instead go to a designated TIME Zone as outlined in this section. The percentage of the withholding tax is based on qualifications outlined in this section. DOR notes this 25%- 50% is on new jobs created in a TIME Zone and is not currently being collected by DOR from the TIME Zone area.

This section limits the cumulative amount of withholding tax to $5 million annually for all TIME Zones created in the State.

DOR is unable to estimate the number of new jobs that may be created and the new withholding tax those new jobs would generate. The Missouri Department of Economic Development may be able to provide an estimate of the number of expected jobs. This could be expected to generate between $0 (no TIME Zones created) and $5,000,000 annually for the TIME Zones (based on limits of the section).

DOR is unsure if this would result in additional or lost revenue to the State. Should the created jobs be truly new jobs in the State and not just jobs in the Time Zone area then the State would gain some withholding tax it is not already collecting. Should the TIME Zone hire employees that previously worked elsewhere then the State may actually lose withholding tax it previously collected. DOR will show an Unknown impact to the General Revenue.

Oversight notes this section creates the Targeted Industrial Manufacturing Enhancement Zones Act.

This also creates the TIME Zone Fund. Once an ordinance or resolution is passed/adopted by at least two political subdivisions, this section requires "twenty-five percent of the state tax withholdings" to go directly to the new fund created.

Oversight will assume a loss to GR of the withholding tax and a gain to the TIME Zone Fund of the withholding tax.

The total amount of withholding taxes retained by all TIME Zones will not exceed $5,000,000 per fiscal year.

In addition, no TIME Zone may be established after August 28, 2024, and already established TIME zones created prior to that date shall continue to exist.

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 $5,000,000.

In response to similar legislation (HB 379 – 2021), officials from the **Missouri Department of Economic Development (DED)** assumed for every new job created in the TIME zone, 25% of state tax withholdings imposed by 143.191-143.265 shall not be remitted to the general fund but shall be put into the TIME Zone Fund to be used by the zone board for managerial, engineering, legal, research, promotion, planning 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.

DED is responsible for approving any agreement renewals, along with reviewing annual budgets and annual reports. Therefore, DED will need one (1) FTE to implement the program.

Oversight assumes, depending upon the number of TIME Zones established and new jobs created, DED may be able to absorb some additional responsibilities created by this section.

Therefore, **Oversight** will range DED's administrative needs from zero impact to one additional FTE in the TIME Zone Fund. Oversight notes the state is allowed to retain 10% of the proceeds for administrative costs.

Legislation as a Whole

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. 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 SOS for administrative rules is less than $5,000. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize 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 they can sustain within their core budget. Therefore, they reserve 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 proposed legislation. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process.

Officials from the **Joint Committee on Administrative Rules** assume this proposed legislation will not cause a fiscal impact beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules from this proposed legislation with existing resources.

Officials from the **Missouri Department of Public Safety – State Emergency Management Agency**, the **Missouri Department of Transportation**, the **Missouri State Tax Commission**, the **City of Claycomo**, the **City of Corder**, the **Crawford County 911 Board**, and the **Pettis County Ambulance District** do not anticipate this proposed legislation will cause a fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for these organizations.

FISCAL IMPACT – State Government	FY 2021	FY 2022	FY 2023	FY 2024	FY 2027
GENERAL REVENUE FUND					
Revenue Reduction – Section 68.075 – State Tax Withholding Diverted From GR Into The Port Authority AIM Zone Fund – p. 8-10	$0	$0	$0	$0 or (Unknown)	$0 or (Unknown)
Revenue Reduction – Section 143.088 – Income Tax Exemption For Individual Under 22 Years Old – p. 13-16	$0	Less than or greater than ($52,639,767) to less than or greater than ($43,294,163)	Less than or greater than ($125,241,735) to less than or greater than ($102,991,295)	Less than or greater than ($124,988,859) to less than or greater than ($102,740,839)	Less than or greater than ($120,390,248) to less than or greater than ($98,981,374)
Revenue Reduction (Forgone Revenue) – Section(s) 143.121 & 143.171 – Exemption of Economic Stimulus Payments – p. 17-22	Could exceed ($5,986,325)	Could exceed ($5,759,530)	$0	$0	$0
Revenue Reduction – Section 620.1039 – Tax Credit For Qualified Research Expenses – p. 22-28	$0	$0	Up to ($10,000,000)	Up to ($10,000,000)	Up to ($10,000,000)
Cost – DED – Section 620.1039 – Administration Of Tax Credit – p. 24					
Personnel Services	$0	($42,218)	($51,168)	($51,679)	($53,245)
Fringe Benefits	$0	($24,199)	($29,209)	($29,382)	($31,641)
Equipment & Expense	$0	($6,242)	($2,661)	($2,727)	($2,937)
Total Cost – DED	$0	($72,659)	($83,038)	($83,788)	($87,823)
FTE Change – DED	0 FTE	1 FTE	1 FTE	1 FTE	1 FTE

Cost – DOR – Section 620.1039 – Redemption /Transfer/Error Processing Of Tax Credits – p. 23-24			Up to…	Up to…	Up to…
Personnel Services	$0	$0	($73,811)	($74,549)	($76,808)
Fringe Benefits	$0	$0	($60,731)	($60,980)	($61,743)
Equipment & Expense	$0	$0	($31,134)	($1,509)	($1,626)
Total Cost	$0	$0	($165,676)	($137,038)	($140,177)
FTE Change – DOR	0 FTE	0 FTE	3 FTE	3 FTE	3 FTE
Revenue Reduction – Section 620.1039 – Sales Tax Exemption For Missouri Qualified Research and Development Equipment – p. 27-28	$0	(Unknown, could be significant)	(Unknown, could be significant)	(Unknown, could be significant)	(Unknown, could be significant)
Revenue Reduction – Section 620.2020 – Reduction of Recaptured Missouri Works Benefits as a Result of Extension Created – p. 28-30	$0	$0 up to or could exceed ($715,899)	$0 up to or could exceed ($715,899)	$0 up to or could exceed ($715,899)	$0 up to or could exceed ($715,899)
Revenue Reduction – Section 620.2020 – Potential “Pay Back” of Amount(s) Already Recaptured as a Result of “Exception” Period Created – p. 28-30	$0	$0 up to or could exceed ($715,899)	$0	$0	$0
Revenue Reduction – Section 620.2250 - Loss Of Withholding Tax To TIME Zone Fund – p. 30-31	$0	$0 to ($5,000,000)	$0 to ($5,000,000)	$0 to ($5,000,000)	$0 to ($5,000,000)

ESTIMTED NET EFFECT ON GENERAL REVENUE FUND	**($5,986,325)**	**Less than or greater than ($58,471,956) to less than or greater than ($55,558,150)**	**Less than or greater than ($135,490,449) to less than or greater than ($118,955,908)**	**Less than or greater than ($135,209,685) less than or greater than ($118,677,564)**	**Less than or greater than ($130,618,248) to less than or greater than ($114,925,273)**
SCHOOL DISTRICT TRUST FUND					
Revenue Reduction – Section 620.1039 – Sales Tax Exemption For Missouri Qualified Research and Development Equipment – p. 27-28	$0	(Unknown, could be significant)	(Unknown, could be significant)	(Unknown, could be significant)	(Unknown, could be significant)
ESTIAMTED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**$0**	**(Unknown, could be significant)**	**(Unknown, could be significant)**	**(Unknown, could be significant)**	**(Unknown, could be significant)**
CONSERVATION COMMISSION FUND					
Revenue Reduction – Section 620.1039 – Sales Tax Exemption For Missouri Qualified Research and Development Equipment – p. 27-28	$0	(Unknown, could be significant)	(Unknown, could be significant)	(Unknown, could be significant)	(Unknown, could be significant)
ESTIMATED NET EFFECT ON CONSERVATION COMISSION FUND	**$0**	**(Unknown, could be significant)**	**(Unknown, could be significant)**	**(Unknown, could be significant)**	**(Unknown, could be significant)**

PARKS AND SOILS STATE SALES TAX FUND(S)					
Revenue Reduction – Section 620.1039 – Sales Tax Exemption For Missouri Qualified Research and Development Equipment – p. 27-28	$0	(Unknown, could be significant)	(Unknown, could be significant)	(Unknown, could be significant)	(Unknown, could be significant)
ESTIAMTED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUND(S)	**$0**	**(Unknown, could be significant)**	**(Unknown, could be significant)**	**(Unknown, could be significant)**	**(Unknown, could be significant)**
PORT AUTHORITY AIM ZONE FUND					
Transfer In – Section 68.075 – State Tax Withholding Diverted From GR Into The Port Authority AIM Zone Fund – p. 8-10	$0	$0	$0	$0 or Unknown	$0 or Unknown
Transfer Out – Section 68.075 – Disbursements Of Funds In Port Authority AIM Zone Fund To Port Authorities – p. 8-10	$0	$0	$0	$0 or (Unknown)	$0 or (Unknown)
ESTIMATED NET EFFECT ON PORT AUTHORITY AIM ZONE FUND	**$0**	**$0**	**$0**	**$0**	**$0**

TIME ZONE FUND					
Revenue Gain – Section 620.2250 – Withholding Tax Collected From New Jobs – p. 30-31	$0	$0 to $5,000,000	$0 to $5,000,000	$0 to $5,000,000	$0 to $5,000,000
Cost – DED – Section 620.2250 (must not exceed 10%) – 30-31		$0 or …	$0 or…	$0 or…	$0 or…
Personal Service	$0	($42,218)	($51,168)	($51,679)	Greater than ($51,679)
Fringe Benefits	$0	($24,199)	($29,209)	($29,382)	Greater than ($29,382)
Equipment & Expense	$0	($14,627)	($5,737)	($5,879)	Greater than ($5,879)
Total Cost – DED	$0	($81,044)	($86,114)	($86,940)	Greater than ($86,940)
FTE Change – DED	0 FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
Transfer Out – From TIME Zone Fund - To Local Political Subdivisions – p. 30-31	$0	$0 to ($5,000,000)	$0 to ($5,000,000)	$0 to ($5,000,000)	$0 to ($5,000,000)
ESTIMATED NET EFFECT ON THE TIME ZONE FUND	**$0**	**$0**	**$0**	**$0**	**$0**

FISCAL IMPACT – Local Government	FY 2021	FY 2022 (10 Mo.)	FY 2023	FY 2024	FY 2027
LOCAL POLITICAL SUBDIVISIONS					
Revenue Gain – Section 68.075 – Disbursements To Port Authorities From The Port Authority AIM Zone Fund - p. 8-10	$0	$0	$0	$0 or Unknown	$0 or Unknown
Cost – Section 68.075 – Administration of Port Authority Expansion, Development, Redevelopment - p. 8-10	$0	$0	$0	$0 or (Unknown)	$0 or (Unknown)
Revenue Gain – Section 99.848 - Some Local Political Subdivisions/Districts May Recognize Larger Distributions – p. 12-13	$0	$0 or Unknown	$0 or Unknown	$0 or Unknown	$0 or Unknown
Loss – Section 99.848 – Some Local Political Subdivisions/Districts May Recognize Smaller Distributions – p. 12-13	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Revenue Reduction – Section 620.1039 – Sales Tax Exemption For Missouri Qualified Research and Development Equipment – p. 27-28	$0	(Unknown, could be significant)	(Unknown, could be significant)	(Unknown, could be significant)	(Unknown, could be significant)

Transfer In – Section 620.2250 - From TIME Zone Fund – p. 30-31	$0	$0 to $5,000,000	$0 to $5,000,000	$0 to $5,000,000	$0 to $5,000,000
Cost – Section 620.2250 - Administration Of TIME Zone Developments – p. 30-31	$0	$0 to ($5,000,000)	$0 to ($5,000,000)	$0 to ($5,000,000)	$0 to ($5,000,000)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**$0**	**(Unknown, but could be significant)**	**(Unknown, but could be significant)**	**(Unknown, but could be significant)**	**(Unknown, but could be significant)**

FISCAL IMPACT – Small Business

This proposed legislation could impact any small business that qualifies for the Qualified Research Tax Credit created, as such small business could reduce or eliminate such small business's tax liability.

Small businesses operating as a qualified company (or, if intended, a qualified military project), as defined under Section 620.2005, could benefit should such small business timely file the required annual report by the end of the extension period created under this proposed legislation or fail to file the annual report within the "exemption period", as such small business could retain the Missouri Works Program benefits that would have otherwise been forfeited/recaptured.

FISCAL DESCRIPTION

The proposed legislation modifies several provisions related to Community Improvement Districts. (Section(s) 67.1421, 67.1451, 67.1461, 67.1471, 67.1481, 67.1545)

Under current law, no Advanced Industrial Manufacturing (AIM) Zone may be established after August 28, 2023. This proposed legislation extends such date to August 28, 2030. (Section 68.075)

The proposed legislation modifies several provisions related to tax increment financing. (Section(s) 99.805, 99.810, 99.820, 99.843, 99.847, 99.848)

Current law also requires taxpayers who itemize deductions to include any federal income tax refund amounts in his or her Missouri adjusted gross income if such taxpayer previously claimed a deduction for federal income tax liability on his or her Missouri income tax return. This act provides that any amount of any federal income tax refund attributable to COVID-19-related tax credits shall not be included in the taxpayer's Missouri adjusted gross income. (Section 143.121)

Current law allows a taxpayer to deduct from his or her Missouri adjusted gross income a portion of his or her federal income taxes paid, exempting federal income tax credits received for the 2020 tax year under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act when determining the amount of federal income tax liability allowable as a deduction. This act also exempts subsequent COVID-19-related tax credits from the determination of the amount of federal income tax liability allowable as a deduction. (Section 143.171)

Currently, no tax credits for qualified research expenses, as defined in the bill, can be approved, awarded, or issued.

Beginning January 1, 2022, the Director of the Department of Economic Development may authorize a taxpayer a tax credit of up to 15% of a taxpayer's additional qualified research expenses, as defined in the bill, or 20% if the additional research expenses relate to research that is conducted in conjunction with a public or private college or university located in this state. However, no tax credit will be allowed for any portion of qualified research expenses that exceed 200% of the taxpayer's average qualified research expenses incurred during the three immediately preceding tax years.

For tax credits that exceed the taxpayer's tax liability, the difference between the credit and the tax liability may be carried forward for 12 years.

Tax credits provided under this program may be transferred, sold, or assigned by filing a notarized endorsement with the Department of Economic Development (DED) that names the transferee, the amount of tax credit transferred, and the value received for the credit, as well as any other information reasonably requested by the DED. For a taxpayer with flow through tax treatment to its members, partners, or shareholders, the tax credit shall be allowed to members, partners, or shareholders in proportion to their share of ownership on the last day of the taxpayer’s tax period.

The annual aggregate cap on the amount of these tax credits that can be authorized by the DED is $10 million with no single taxpayer being issued or awarded more than $300,000. Five million dollars of the $10 million cap in tax credits will be reserved for minority business enterprises, women's business enterprises, and small businesses. Any reserved amount not issued or awarded to a minority business enterprise, women's business enterprise, or small business by November 1st of the tax year may be issued to any taxpayer otherwise eligible for a tax credit under this bill.

The provisions of the bill that concern a tax credit for qualified research expenses sunsets on December 31st, six years after the effective date of this bill unless reauthorized by the General Assembly.

This proposed legislation states the purchase of Missouri qualified research and development equipment are hereby specifically exempt from all state and local sales and use tax including, but not limited to, sales and use tax authorized or imposed under Section 32.085 and Chapter 144. (Section 620.1039, RSMo)

Currently, the Missouri Department of Economic Development is required to recapture Missouri Works Program Benefits from a company if it fails to timely file the annual audit report. This bill allows, a qualified company to request and be granted a onetime thirty-day extension. In addition, this bill provide an exemption from the forfeiture and recapture provisions of the Missouri Works Programs for annual reports that were not filed but were due between January 1, 2020 to September 1, 2021. (Section 620.2020)

This bill establishes the "Targeted Industrial Manufacturing Enhancement Zones Act".

The bill allows any two or more contiguous or overlapping political subdivisions, as defined in the bill, to create Targeted Industrial Manufacturing Enhancement (TIME) zones for the purpose of completing infrastructure projects to promote economic development. Prior to the creation of a TIME zone, each political subdivision must propose an ordinance or resolution that sets forth the names of the political subdivisions which will form the zone, the general nature of the proposed improvements, the estimated cost of such improvements, the boundaries of the proposed TIME zone, and the estimated number of new jobs to be created in the TIME zone. The political subdivisions must hold a public hearing prior to approving the ordinance or resolution creating the TIME zone.

This bill allows the Zone Board governing the TIME zone to retain 25% of withholding taxes on new jobs created within the TIME zone to fund improvements made in the TIME zone. Prior to retaining such withholding taxes, the Zone Board must enter into an agreement with the Department of Economic Development. The agreement must include the estimated number of new jobs to be created, the estimated average wage of new jobs to be created, the estimated net fiscal impact of the new jobs, the estimated costs of improvements, and the estimated amount of withholding tax to be retained over the period of the agreement. The Department will not approve an agreement unless the Zone Board commits to the creation of a certain number of new jobs, as described in the bill.

The term of such agreement will not exceed 10 years. A Zone Board may apply to the Department of Economic Development for approval to renew any agreement. In determining whether to approve the renewal of an agreement, the Department will consider the number of new jobs created and the average wage and net fiscal impact of such new jobs, and the outstanding improvements to be made within the TIME zone, the funding necessary to complete such improvements, and any other factor the department requires. The Department may approve the renewal of an agreement for a period not to exceed 10 years. If a Zone Board has not met the new job creation requirements by the end of the agreement, the Department will recapture the withholding taxes retained by the Zone Board.

The Zone Board must submit an annual report to the Department and to the General Assembly, as described in the bill.

No political subdivision will establish a TIME zone with boundaries that overlap the boundaries of an advanced industrial manufacturing (AIM) zone.

The total amount of withholding taxes retained by TIME zones under this bill must not exceed $5 million per year.

No new TIME zone will be created after August 28, 2024. (Section 620.2250)

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 – Budget & Planning Division
Missouri Department of Commerce and Insurance
Missouri Department of Natural Resources
Missouri Department of Revenue
Missouri Department of Public Safety – State Emergency Management Agency
Missouri Department of Transportation
Missouri Secretary of State
Missouri Department of Economic Development
Missouri State Tax Commission
Joint Committee on Administrative Rules
City of Claycomo
City of Corder
City of Kansas City
City of Springfield
Crawford 911 Board
Pettis County Ambulance District

Julie Morff
Director
May 4, 2021

Ross Strope
Assistant Director
May 4, 2021