

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1711S.01I  
 Bill No.: SB 459  
 Subject: Tax Credits; Economic Development  
 Type: Original  
 Date: March 27, 2023

Bill Summary: This proposal establishes the Bring Mo Jobs Home Act.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue Fund*	Up to (\$10,112,367)	Up to (\$10,124,412)	Up to (\$10,126,588)
<b>Total Estimated Net Effect on General Revenue</b>	<b>Up to (\$10,112,367)</b>	<b>Up to (\$10,124,412)</b>	<b>Up to (\$10,126,588)</b>

\*Oversight notes, for purpose of this fiscal note, the above expenditures reflect the maximum allowable tax credit cap of \$10 million as well as one Department of Economic Development FTE.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration – Budget & Planning (B&P)** assume starting January 1, 2023, a taxpayer will be allowed a credit equal to 60% of the taxpayer’s eligible insourcing expenses or 75% of eligible insourcing expenses if they are a manufacturer of medical supplies or electronic chips.

This tax credit has a \$10 million annual cap. It is not refundable, but can be carried forward to the next five succeeding tax years.

This credit would be effective August 28, 2023. The first time the credits could be claimed would be on the January 1, 2024 (FY 2024) tax returns. This will result in a loss of general revenue by up to \$10,000,000 per fiscal year.

Officials from the B&P assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for B&P.

Officials from the **Department of Revenue (DOR)** assume starting January 1, 2023, a taxpayer will be allowed a credit equal to 60% of the taxpayer’s eligible insourcing expenses or 75% of eligible insourcing expenses if they are a manufacturer of medical supplies or electronic chips. This tax credit is to encourage businesses located in the People’s Republic of China or Russia to relocate their business in Missouri.

This tax credit has a \$10 million annual cap. It is not refundable, but can be carried forward to the next five succeeding tax years.

This credit would be effective August 28, 2023. The first time the credits could be claimed would be on the January 1, 2024 (FY 2024) tax returns. This will result in a loss of general revenue.

Fiscal Year	Loss to General Revenue
2024	(\$10,000,000)
2025	(\$10,000,000)
2026	(\$10,000,000)

This proposal will require adding this new credit to the MO-TC form, the website and the individual income tax computer system. This is estimated to cost \$7,193. The Department assumes it can absorb the redemption of this credit with existing resources. Should the number of redemptions justify adding additional FTE then DOR will seek those FTE through the appropriation process.

1 FTE Associate Customer Service Representative (\$31,200) for every 6,000 credits redeemed

1 FTE Associate Customer Service Representative for every 7,600 errors/correspondence generated

**Oversight** notes that in case there are more companies applying for the credit than allotted amount the DED and DOR must treat the application approval process on first-come first-serve basis.

**Oversight** assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight notes DOR assumes it could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process. Oversight will note zero impact for the DOR.

Officials from the **Department of Economic Development (DED)** assume:

Section 135.1610 Establishes the "Bring MO Jobs Home Act".

For all tax years beginning on or after January 1, 2023, a taxpayer shall be allowed a tax credit equal to sixty percent of the taxpayer's eligible insourcing expenses, or seventy-five percent of the taxpayer's eligible insourcing expenses if the taxpayer is a manufacturer of medical supplies or electronic chips. A taxpayer who receives a tax credit pursuant to the provisions of this section shall be ineligible to receive incentives under the provisions of any other state tax incentive program for the same expenses incurred.

This legislation will likely reduce annual TSR by up to the annual cap of \$10M authorized per calendar year. The program will automatically sunset on August 28, 2029 unless reauthorized by an act of the general assembly.

DED will need to hire 1.0 FTE to review applications, determine qualifications, and calculate eligible amounts, review final qualifying expenses, complete compliance and to administer the program.

Oversight notes the DED assumes the proposal will have a direct fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a DED FTE costs Senior Economic Development Specialist at \$ 74,664 annually in the fiscal note.

**Oversight** notes the General Assembly passed SB 861 – 2016 Bring Jobs Home Act and the law was signed by the Governor in same year. That program had a \$5 million tax credit cap and sunset August 28, 2022. This proposal is similar to the Bring Jobs Home Act in RSMo 143.1100; however, the overall maximum cap is set at \$10 million annually.

**Oversight** notes the proposal allows any individual, firm, partner in a firm, corporation, partnership, shareholder in an S corporation, or member of a limited liability company subject to the income tax to apply for this the tax credit.

**Oversight** notes the proposal allows a maximum of \$10 million annually to be awarded for various companies to apply for the tax credit. Therefore, **Oversight** will reflect the maximum cap, as a reduction in general revenue, in the fiscal note.

Officials from the **Department of Commerce and Insurance (DCI)** assume a potential unknown decrease of premium tax revenues (up to the tax credit limit established in the bill) in FY2024, FY2025 and FY2026 as a result of the creation of the Bring Mo Jobs Home Act 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 new tax credit. **Oversight**, for purposes of fiscal note simplification, will assume that all credits will be taken against income tax liabilities.

The department 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, the department may need to request more expense and equipment appropriation through the budget process.

#### Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

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. **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 \$5,000. 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 its 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.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
<b>GENERAL REVENUE</b>			
<u>Revenue Reduction – Section 135.040.7 (p. 6)</u>	Up to (\$10,000,000)	Up to (\$10,000,000)	Up to (\$10,000,000)
<u>Costs -</u>			
Personnel Service	(\$62,220)	(\$76,157)	(\$77,680)
Fringe Benefits	(\$36,265)	(\$44,077)	(\$44,640)
Expense & Equipment	(\$13,882)	(\$4,178)	(\$4,268)
<u>Total Costs -</u>	<u>(\$112,367)</u>	<u>(\$124,412)</u>	<u>(\$126,588)</u>
FTE Change	1 FTE	1 FTE	1 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>Up to (\$10,112,367)</u></b>	<b><u>Up to (\$10,124,412)</u></b>	<b><u>Up to (\$10,126,588)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT – Small Business

Missouri small businesses would be able to potentially experience a positive fiscal impact as a result of this proposal.

FISCAL DESCRIPTION

This act establishes the "Bring MO Jobs Home Act".

For all tax years beginning on or after January 1, 2023, this act authorizes a taxpayer to claim a tax credit for eligible insourcing expenses, as defined in the act, incurred due to moving the taxpayer's business unit from China or Russia to Missouri. The tax credit shall be equal to 60% of eligible insourcing expenses, or 75% of eligible insourcing expenses if the taxpayer is a manufacturer of medical supplies or electronic chips.

Tax credits authorized by the act shall not be refundable, but may be carried forward for five subsequent tax years. A taxpayer claiming a tax credit under the act shall not be eligible for any other state tax incentive for the same eligible insourcing expenses.

The total amount of tax credits authorized in a calendar year shall not exceed \$10 million, and shall be awarded on a first-come, first-served basis.

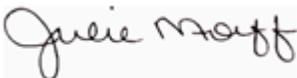
A taxpayer receiving a tax credit under the act shall repay the amount of tax savings realized if the taxpayer, within ten years of receiving the tax credit, eliminates the business unit for which the tax credit was awarded.

This act shall sunset on August 28, 2029, unless reauthorized by the General Assembly.

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 Commerce and Insurance  
Department of Revenue  
Office of Administration – Budget and Planning  
Joint Committee on Administrative Rules  
Office of the Secretary of State



Julie Morff  
Director  
March 27, 2023



Ross Strobe  
Assistant Director  
March 27, 2023