

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4951S.01I
Bill No.: SB 1301
Subject: Economic Development; Department of Economic Development,
Type: Original
Date: March 11, 2024

Bill Summary: This proposal modifies the Missouri Works Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on FTE	0	0	0

- 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 2025	FY 2026	FY 2027
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration – Budget and Planning (B&P)** assume:

Section 620.7010.7 is modified to combine the Deal Closing Fund (DCF) sunset date with the overall Missouri Works (MO Works) program sunset date which simplifies the overall program since they work in conjunction.

Section 620.2020.2(1) modifies language to reflect that companies remit, not retain, tax withholdings.

Section 620.2020.2(2) adds language that allows companies located in Advanced Industrial Manufacturing (AIM) or Targeted Industrial Manufacturing (TIME) zone to convert MO Works retained tax withholdings to tax credits instead. Changes to the language in this section do not increase the overall cost of the program. Therefore, there is no fiscal impact due to these changes.

Sections 620.2020.7 & 620.2020.8 are modified to align the sunset date of the entire MO Works program.

Section 620.2020.9 is modified to combine the MO Works retained withholdings & tax credit caps into one cap effective on July 1, 2025. Changes to the language in this section do not increase the overall cost of the program.

Section 620.2020.10 modifies language to ensure that the DCF maximum remains at 21.5% under the combined cap. However, this change does not increase the cost of the MO Works program and has no fiscal impact.

Therefore, changes to the MO Works program do not have an overall fiscal impact on GR or TSR.

While the overall impact may not change over the long term, the timing of the impacts might change if projects use a different mix of withholding incentives and tax credits.

Revenues (in the form of retained withholdings) and expenditures from the Missouri One Start Community College Training Fund could be impacted to the extent future projects are awarded incentives, such as tax credits through Missouri Works, instead of retained withholdings through current programs.

Officials from the **Department of Economic Development (DED)** 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.

Officials from the **Department of Revenue** defer to the DED for the potential fiscal impact of this proposal.

Officials from the **Oversight Division** note we are responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, Oversight can absorb the cost with the current budget authority.

Oversight notes that this proposal allows the employers, located in Advanced Industrial Manufacturing (AIM) or Targeted Industrial Manufacturing (TIME) zones, to choose receive tax credits, instead of retain withholding.

Oversight notes the proposal, §620.2020. 9, combines the overall cap for MO Works program of \$181 million beginning FY 2025. Currently, the caps are:

MO Works Tax Credits - \$106 million
MO Works Withholding - \$75 million

Oversight notes that the overall maximum cap for MO Works will not change, instead allows employer to choose tax credit or withholding as incentive. Therefore, **Oversight** will reflect zero impact stemming from the proposal in the fiscal note.

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 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Under current law, the Department of Economic Development is authorized to reserve a portion of Missouri Works program benefits for award prior to the completion of job creation requirements, with such provision to expire on June 30, 2025. This act removes such expiration date. (Section 620.2010)

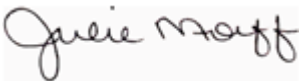
Additionally, current law authorizes the Department of Economic Development to award a refundable tax credit to a qualified company receiving Missouri Works benefits in lieu of the retention of withholding tax if such qualified company is already retaining withholding tax pursuant to a job training program. This act allows such refundable tax credit to also be awarded to a qualified company that is retaining withholding tax because it is located in an advanced industrial manufacturing (AIM) zone or a targeted industrial manufacturing enhancement (TIME) zone.

Finally, current law limits the total annual amount of Missouri Works tax credits to \$106 million, and limits the annual amount of withholding tax that may be retained to \$75 million, for a total of \$181 million in program benefits per fiscal year. This act provides that, beginning with the 2026 fiscal year, the Department may award any amount of tax credits and withholding tax benefits, provided that the total amount authorized does not exceed \$181 million. (Section 620.2020)

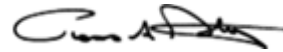
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration – Budget & Planning
Department of Economic Development
Department of Revenue
Office of the Secretary of State
Joint Committee on Administrative Rules
Oversight Division



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March 11, 2024



Ross Strobe
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March 11, 2024