

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3852-12
BILL NO.: Truly Agreed to and Finally Passed HS for SS for SCS for SB's 867 & 552
SUBJECT: Agriculture and Animals; Economic Development; Economic Development Department; Insurance - General.
TYPE: Original
DATE: June 1, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$54,811 to \$5,054,811)	(\$57,821 to \$5,057,821)	(\$59,304 to \$5,059,304)
Total Estimated Net Effect on <u>All</u> State Funds	(\$54,811 to \$5,054,811)	(\$57,821 to \$5,057,821)	(\$59,304 to \$5,059,304)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses
This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Landlords in Kansas City and St. Louis register for purpose of receiving service of process for housing code violations.

Officials from the **City of Kansas City** state that this part of the proposal would not fiscally impact their agency.

Officials from the **City of St. Louis** did not respond to our request for fiscal impact.

Oversight assumes this part of the legislation would not fiscally impact either Kansas City or St. Louis.

CAPCOs

Officials from the **Department of Economic Development (DED)** state this part of the proposal increases CAPCO credits by \$50 million and the credits can be claimed at a rate of 10 percent per year, or \$5 million annually. Total CAPCO credits claimed with the new and existing programs combined would be \$19 million per year, including the current distressed community portion of the existing law. The proposal creates "qualified Missouri agricultural business" and investments into qualified Missouri agricultural businesses.

The DED assumes all \$50 million in credits will be authorized in calendar year (CY) 2000 and credits of \$5 million could be claimed against CY 2000 tax returns in fiscal year 2001. The DED assumes the need for one (1) Economic Development Incentive Specialist II (at \$36,468 annually plus associated costs) to administer the additional tax credits.

Oversight assumes the Department of Economic Development will not require the additional office space for the 1 FTE that is requested.

Officials from the **Department of Revenue (DOR)** stated this will not fiscally impact the DOR since they do not anticipate a large increase in tax credits and will not request an additional FTE at this time. However, if the tax credit volume does increase, the DOR will need one Tax Processing Tech I for every 2,000 additional income tax credits claimed and one Tax Processing Tech I for every 3,680 additional business tax credits claimed.

Oversight assumes the Department of Revenue could request additional FTE to process the additional tax credits if the need arises, but for purposes of this fiscal note, the DOR is assumed

ASSUMPTION (continued)

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to have no additional costs from this proposal.

Officials from the **Department of Insurance (INS)** state this proposal modifies the Certified Capital Company tax credits. Tax credits cannot exceed tax liability, but may be carried forward indefinitely. The INS states this legislation modifies the aggregate credits allowed by authorizing an additional \$10 million in year 2000 and an amount not to exceed 10 percent of cumulative credits earned in previous years for every year thereafter beginning in 2001.

The INS assumes the impact of capping aggregate credits at 10 percent of cumulative credits earned in previous years cannot be determined. It is assumed that at some point 10 percent of the cumulative credits will exceed the current \$10 million cap and will result in a decrease in revenues from premium taxes collected.

Officials from the **Department of Agriculture** assumed no fiscal impact from this proposal.

Oversight assumes this proposal adds an additional \$50 million in available CAPCO credits to investors, and states again that only 10 percent of the credits may be taken in any given year. Therefore, Oversight reflects an impact to total state revenues as a range of \$0 to a negative \$5 million.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Loss - General Revenue Fund</u>	\$0 to	\$0 to	\$0 to
Additional tax credits on CAPCO	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)
<u>Cost - Department of Economic Development</u>			
Personal service (1 FTE)	(\$31,137)	(\$38,314)	(\$39,272)
Fringe benefits	(\$9,575)	(\$11,782)	(\$12,076)
Expense and equipment	(\$14,099)	(\$7,725)	(\$7,956)
Total <u>Cost</u> - DED	(\$54,811)	(\$57,821)	(\$59,304)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(\$54,811 to \$5,054,811)	(\$57,821 to \$5,057,821)	(\$59,304 to \$5,059,304)
<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003

\$0 \$0 \$0

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact on certain small businesses including certified capital companies and the companies they invest in.

DESCRIPTION

This proposal makes several changes in the law relating to Certified Capital Companies (CAPCOs). A definition of "qualified Missouri agricultural business" is added to the CAPCO law and, effective after August 28, 2000, at least 25% of certified capital raise must be placed in qualified agricultural businesses, as defined; this is in addition to the 50% placement in qualified investments under current law. The definition of "affiliate of a certified company" is changed to raise the ownership stake required from ten to fifteen percent.

The aggregate tax credits available for CAPCO investors is limited to \$5 million in 2000, and thereafter the aggregate amount of credits shall not exceed ten percent of the cumulative credits earned in previous years. Subject to approval of the Director of the Department of Economic Development, CAPCO capital beyond that which is required to be invested in qualified investments may be invested in other CAPCOs or their affiliates or subsidiaries.

The proposal also includes a provision requiring that landlords in Kansas City and St Louis register for purpose of receiving service of process for housing code violations. This provision terminates on January 1, 2006.

The proposal also provides that no more than one million dollars of the total tax credits available for investing in Missouri small businesses engaged solely in pharmaceutical research and development, and that if that amount is not exhausted by September first of any year, the balance may be used for other small business investments.

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 Revenue

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June 1, 2000

Department of Insurance
Office of Administration
Department of Agriculture
City of Kansas City

NOT RESPONDING:

City of St. Louis

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with a large initial "J".

Jeanne Jarrett, CPA
Director
June 1, 2000