

HCS HB 2058 -- TAX INCENTIVES FOR BUSINESS DEVELOPMENT (Pearce)

COMMITTEE OF ORIGIN: Special Committee on Job Creation and Economic Development

This substitute changes the laws regarding tax incentives for business development.

VARIOUS TAX CREDIT PROGRAMS

The substitute:

(1) Increases the annual cap on the amount of tax credits the Department of Economic Development may authorize for the Enhanced Enterprise Zone Program from \$14 million to \$24 million;

(2) Increases the fiscal year cap for economic development tax credits that are approved as part of the Neighborhood Assistance Program from \$4 million to \$6 million;

(3) Allows the department to authorize up to \$5 million in tax credits per year to encourage equity investment in technology-based early stage Missouri companies, commonly referred to as angel investments. Investors who contribute the first \$500,000 in equity investment to a qualified Missouri business may be issued a tax credit equal to 30% of the investment or 40% if the qualified business is in a rural area or distressed community. An investor can receive a credit of up to \$50,000 for an investment in a single qualified business and up to \$100,000 for investments in more than one qualified business per year. Credits can be carried forward for up to three years or sold;

(4) Increases the aggregate cap on the amount of tax credits the department may authorize for the Small Business Incubators Program from \$500,000 to \$2 million; and

(5) Specifies that all demolition activities are part of remediation and allows remediation tax credits to include up to 100% of demolition costs that are not directly part of the remediation but which are necessary to accomplish the planned use of the facility. Demolition may occur on adjacent property that independently qualifies as abandoned or underutilized and is located in a municipality with fewer than 20,000 residents. Currently, some demolition activities associated with brownfield redevelopment are separate from remediation activities.

QUALITY JOBS PROGRAM

The substitute:

(1) Eliminates the cap on the Quality Jobs Program. Currently, the department cannot issue more than \$40 million in tax credits for this program annually;

(2) Allows tax credits to be issued for job retention projects until August 30, 2013. Tax credits for this project type were only authorized through August 30, 2007;

(3) Allows a project facility to include separate buildings within the same county. Currently, they must be located within one mile of each other; and

(4) Allows a company that leases or owns facilities that produce electricity derived from qualified renewable energy sources, or which produce fuel for the generation of electricity from qualified renewable energy sources, to participate in the program as a technology business project if it meets the other requirements of the program. Qualified renewable energy sources include open-looped biomass, close-looped biomass, solar, wind, geothermal, and hydropower but not ethanol distillation or production or biodiesel production.

COMMUNITY IMPROVEMENT DISTRICTS

The substitute:

(1) Allows community improvement districts (CID) to exist in special business districts within the City of St. Louis. Currently, any CID in St. Louis that is also in a special business district cannot levy a CID sales tax unless special assessments imposed on real property or businesses within the special business district are repealed; and

(2) Excludes sales by public utilities and providers of communications, cable, or video services from the CID sales tax.

TAX POLICY AND TAXATION

The substitute:

(1) Authorizes the department to issue letter rulings regarding the New Markets Tax Credit Program. The letter rulings are binding in a court of law and must be issued within 60 days of a request. The department can refuse to issue the letter ruling for good cause, but must explain the reason for refusal. Letter rulings are closed to the public; however, information can be released as long as anything which would identify the applicant or is otherwise protected is redacted;

(2) Establishes in statute an exemption from state and local

sales and use tax on all tangible personal property included on the United States munitions list that is sold to or purchased by a foreign government for a governmental purpose. Currently, this exemption is granted by the Department of Revenue through a letter ruling;

(3) Specifies that the true value in money for assessment purposes of any possessor interest in real property located on or within the ultimate airport boundary shown by a federal airport layout plan of the Kansas City International Airport will be the true value in money of the possessor interest in the real property less the total costs paid toward any new construction or improvements completed on the property after January 1, 2008, if included in the possessor interest, unless paid by the political subdivision, regardless of the year the costs were incurred; and

(4) Authorizes a property tax credit, beginning January 1, 2009, for expenses incurred to manufacture, maintain, or improve a freight line company's qualified rolling stock up to the amount of its tax liability. The state will annually reimburse a political subdivision for any loss in revenue.

The provisions of the substitute regarding the Small Business Incubators Program contain an emergency clause.

FISCAL NOTE: Estimated Cost on General Revenue Fund of \$226,293 to Unknown in FY 2009, \$274,449 to Unknown in FY 2010, and \$254,874 to Unknown in FY 2011. Estimated Cost on Other State Funds of Unknown in FY 2009, FY 2010, and FY 2011.