HCS HB 2393 -- ENHANCED ENTERPRISE ZONES

SPONSOR: Richard

COMMITTEE ACTION: Voted "do pass" by the Special Committee on Job Creation and Economic Development by a vote of 12 to 0.

This substitute allows a taxpayer to receive an income tax credit for a mega-project. The tax credit will be equal to a percentage of the taxpayer's payroll. No tax credits for mega-projects can be approved prior to July 1, 2010, and no more than $40 million can be issued annually for all mega-projects or to any taxpayer.

A mega-project is any manufacturing or assembling facility approved by the Department of Economic Development for construction and operation that is located within an enhanced enterprise zone and which:

(1) Projects new capital investment in excess of $300 million over an eight-year period from the date the project is approved by the department;

(2) Projects that the number of new jobs will exceed 1,000 over an eight-year period from the date the project is approved by the department;

(3) Pays an average wage for new jobs that exceeds the county average wage;

(4) Offers health insurance to all new employees and pays at least 50% of the premiums; and

(5) Provides an acceptable plan to repay the mega-project's tax credits to the state.

The taxpayer may submit an application to the department for approval of a mega-project. The department may approve an application if certain specified criteria are met.

Upon the application's approval, tax credits will be issued annually for up to 22 years from the commencement of the mega-project's commercial operations and may be extended beyond the life of the enhanced enterprise zone. Tax credits will be equal to the following percentages of annual payroll for the new jobs located at the mega-project:

(1) 80% for the first three years that tax credits are issued for the mega-project;

(2) 60% for the next two subsequent years;

(3) 50% for the next two subsequent years;

(4) 30% for the next two subsequent years; and

(5) 25% for all subsequent years.

These tax credits may be claimed against income taxes in Chapter 143, RSMo, excluding withholding taxes. The credits are redeemable; however, owners of these tax credits are not required to have any Missouri income tax liability in order to redeem the credits and receive a refund. The credits may be sold or transferred but cannot be carried forward past the year of issuance.

Taxpayers who are issued these credits must provide an annual report to the department and cannot also receive tax credits under the New or Expanded Business Facility Program, Enterprise Zones Program, Relocating a Business to a Distressed Community Program, or Quality Jobs Program. If the department determines the average wage is below the county average wage or the taxpayer has not maintained the employee health insurance as required, the taxpayer will not receive tax credits for that year.

Any action brought in any court contesting the approval of a mega-project and the issuance of tax credits or the taking of any other action related to the mega-project must be filed within 90 days of the department's approval of the mega-project.

A taxpayer who is awarded state tax credits for establishing a new business facility in an enhanced enterprise will be prohibited from simultaneously receiving tax credits from the Enhanced Enterprise Zone Program and the Quality Jobs Program for the same facility.

FISCAL NOTE: Estimated Cost on General Revenue Fund of $0 in FY 2009, $0 in FY 2010, and $0 to $40,000,000 in FY 2011. No impact on Other State Funds in FY 2009, FY 2010, and FY 2011.

PROPONENTS: Supporters say that the provisions of the substitute bill will be the biggest economic development project in Missouri history. A Canadian company, Bombardier, is considering building an assembly plant at the Kansas City International Airport to manufacture the new C-Series aircraft. It will bring in more than 1,000 jobs to the site and thousands more in related industries. This is a once-in-a-lifetime opportunity for Missouri, and the bill is necessary to make it happen. This program is unique because it requires Bombardier to pay the state a fee for each aircraft sold. This will repay the state's tax credits, resulting in an overall positive net impact for Missouri. However, if Bombardier does not choose Missouri for its assembly site, the mega-project tax credit will be in place for future projects. This tool is vital to Missouri's future economic development success with large-scale manufacturing projects.

Testifying for the bill were Representative Richard; Department of Economic Development; Economic Development Corporation of Kansas City, Missouri; Mark VanLoh, Kansas City International Airport-City of Kansas City; Bob Marcusse, Kansas City Area Development Council; Pete Fullerton, Platte County Economic Development Council; Greater Kansas City Chamber of Commerce; Dr. Jackie Snyder; Missouri Chamber of Commerce and Industry; Ted Allison, St. Joseph Area Chamber of Commerce and Kansas City Area Development Council; William A. Hall, Kansas City Area Development Council; St. Louis Community College; Missouri Community College Association; Taxpayers Research Institute of Missouri; Associated Industries of Missouri; and Missouri Economic Development Council.

OPPONENTS: There was no opposition voiced to the committee.