HCS HB 468 -- ECONOMIC INCENTIVES FOR JOB DEVELOPMENT, RETENTION, AND TRAINING

SPONSOR: Zerr (Diehl)

COMMITTEE ACTION: Voted "do pass" by the Committee on Economic Development by a vote of 26 to 0.

This substitute changes the laws regarding economic incentives for job development, retention, and training and establishes the Missouri Science and Innovation Reinvestment Act.

MUNICIPAL TECHNOLOGY BUSINESS FACILITY PROJECTS (Section 67.2050, RSMo)

The substitute allows the governing body of any county, city, incorporated town, or village to engage in projects involving a technology business facility used for wired telecommunications; data processing, hosting, and related services; or Internet publishing and broadcasting and web search portals. The governing body is authorized to:

(1) Carry out technology business facility projects for economic development;

(2) Accept grants from the federal and state governments for the project's purposes and enter into an agreement which may be required by the grantor if the agreement is not contrary to Missouri laws;

(3) Receive any gifts and donations from private sources to be used for the project's purposes; and

(4) Enter into loan agreements, sell, lease, or mortgage to individuals, partnerships, or corporations any component of a technology business facility project.

Transactions involving the lease or rental of any project component are exempt from local sales taxes, and leasehold interests will not be subject to property taxes.

If an individual or corporation transfers property for a project free of charge to the governing body, it will retain the right to have the governing body transfer the donated property back at no cost.

ENHANCED ENTERPRISE ZONES (Sections 135.950 - 135.969)

The substitute:

(1) Defines "dormant manufacturing plant" as any parcel of real property that encompasses at least 250 acres that, within six years of the date of the notice of intent, was predominantly used for manufacturing or assembly and employed not less than 3,000 persons but has since ceased all activity, has been found by an ordinance adopted by the governing body to be a blighted area and designated for redevelopment, and is located in certain census tracts defined by poverty rates or income or is involved in certain federal agency funding of at least $1 million to facilitate redevelopment of the property;

(2) Defines "dormant manufacturing plant zone" as a dormant manufacturing plant, all real property which is immediately contiguous to the plant, and all real property within 6,000 feet of the boundary of the plant;

(3) Reduces from 10 to five the number of years a taxpayer can receive a tax credit for establishing a new business facility in an enhanced enterprise zone;

(4) Changes the tax credit receivable by a taxpayer establishing a new business facility in an enhanced enterprise zone to the lesser of the annual amount of projected state economic benefit for the enhanced business enterprise as determined by the Department of Economic Development or an annual amount up to 2.5% of the gross wages of each new business facility employee plus up to 0.5% of the investment made in the new business facility within an enhanced enterprise zone. Currently, the tax credit is equal to the lesser of the annual amount of projected state economic benefit for the enhanced business enterprise as determined by the department or the sum of credits calculated at $400 for each new business facility employee employed within an enhanced enterprise zone, $400 for each new business facility employee who is a resident of the enhanced enterprise zone, and $400 for each new business facility employee who receives a wage that exceeds the average county wage in the county in which the facility is located;

(5) Authorizes an annual tax credit for up to five years if approved by the department to a taxpayer who establishes a new business facility in a dormant manufacturing plant zone approved or designated as an enhanced enterprise zone. A taxpayer cannot receive multiple five-year periods for subsequent expansions at the same facility. A taxpayer who receives this tax credit cannot also receive tax credits or other benefits for the same new jobs from the new or expanded business facilities, enterprise zones, relocating a business to a distressed community, enhanced enterprise zones, or the Missouri Quality Jobs Program. To receive the tax credit, a taxpayer must employ at least two new individuals at the new business facility or invest at least

$100,000 during the taxable year in which the credit is claimed. The tax credit will be equal to the lesser of the annual amount of projected state economic benefit for the enhanced business enterprise as determined by the department or an annual amount equal to 2.5% of the gross wages of each new business facility employee plus 0.5% of the investment made in the new business facility within an enhanced enterprise zone. Tax credits for new business facilities in dormant manufacturing plant zones approved or designated as an enhanced enterprise zone are to be included in the $24 million annual cap on tax credits authorized for all enhanced enterprise zones;

(6) Allows a taxpayer to receive the tax credit for an existing facility which expands if he or she invests at least $1 million during the applicable tax period and hires at least two additional employees during the tax year in which the credit is claimed;

(7) Specifies how the number of new business facility employees during any taxable year must be determined or adjusted;

(8) Specifies how a taxpayer's investment in the new business facility or in the expansion of a business facility treated as a new business facility or in a replacement business facility must be determined or adjusted;

(9) Requires the credits to be claimed for the taxable year in which commencement of commercial operations occurs at the new business facility and for each of the following five years in which the credit is issued. The credits are refundable and transferable but cannot be carried forward; and

(10) Requires the Department of Economic Development, prior to the issuance of any tax credits, to verify through the Department of Revenue or any other state department that the applicant does not owe any delinquent taxes, interest or penalties on any taxes, or any delinquent fees or assessments. A taxpayer who is delinquent after June 15 but before July 1 of any year will be given 30 days to satisfy the delinquency. Any available credits will be applied to delinquencies, and any remaining credits will be issued to the applicant subject to the restrictions of other provisions of law.

DATA STORAGE CENTERS AND SERVER FARM FACILITIES (Section 144.810)

Beginning August 28, 2011, the substitute authorizes a state and local sales and use tax exemption on items related to new data storage centers and server farm facilities including:

(a) All electrical energy, gas, water, and other utilities including telecommunications and Internet services;

(b) All machinery, equipment, and computers; and

(c) All retail sales of tangible personal property and materials for the purposes of constructing, repairing, or remodeling a new data storage center and server farm facility.

Any new data storage center and server farm facility project wishing to utilize these exemptions must submit a project plan to the Department of Economic Development which identifies each known constructing and operating taxpayer for the project. The department must determine whether the project is eligible for exemption by verifying that a new facility will invest at least $5 million within 36 consecutive months. The departments of Economic Development and Revenue must cooperate in conducting random audits to make certain that the intent of these provisions is followed.

Beginning August 28, 2011, the substitute authorizes a state and local sales tax exemption on items related to expanding data storage centers and server farm facilities including:

(a) All electrical energy, gas, water, and other utilities including telecommunications and Internet services which, on an annual basis, exceed the amount used in the existing or the replaced facility prior to the expansion;

(b) All machinery, equipment, and computers if the cost, on an annual basis, exceeds the average of the previous three years' expenditures used in the existing or the replaced facility prior to the expansion; and

(c) All retail sales of tangible personal property and materials for the purposes of constructing, repairing, or remodeling an expanding data storage center and server farm facility.

Any expanding data storage center and server farm facility project wishing to utilize these exemptions must submit an expanding project plan to the Department of Economic Development which identifies each known constructing and operating taxpayer. The department must determine whether the project is eligible for exemption by verifying that an expanding facility will invest at least $1 million within 12 consecutive months. The departments of Economic Development and Revenue must conduct random audits to make certain that the intent of these provisions is followed.

MISSOURI SCIENCE AND INNOVATION REINVESTMENT ACT (Sections 196.1109, 196.1115, and 348.250 - 348.300)

The substitute establishes the Missouri Science and Innovation Reinvestment Act. In its main provisions, the substitute:

(1) Adds to the list of purposes of the Missouri Technology Corporation and provides for its perpetual existence;

(2) Requires the advice and consent of the Senate for the gubernatorial appointments to the corporation’s board of directors;

(3) Changes the mandatory annual audit of the corporation by the State Auditor to an audit at the discretion of the State Auditor;

(4) Specifies the terms and requirements for various designated and appointed board members; how members may be removed from the board; meeting requirements and the operation of the board; and board powers, including employment and benefits for the president and other corporation employees;

(5) Requires the corporation to submit an annual report by January 1 to the Governor and General Assembly on the distribution of funds during the prior year, the growth of science and innovation research and industry in the state, and financial or performance audit recommendations for additional necessary legislation. Copies of the financial and performance evaluations must be given to the State Auditor. Currently, the corporation must submit an annual report by November 1 on the corporation’s structure, operation, and financial status to the Governor and General Assembly;

(6) Specifies that the corporation will be exempt from certain property, income, and sales and use taxes;

(7) Requires the board to adopt and maintain a conflict of interest policy and to establish executive and audit committees and a research alliance and specifies the duties and powers of each committee and the alliance;

(8) Adds additional provisions for closing certain meetings and records of the corporation board and committees of the board under the Open Meetings and Records Law, commonly known as the Sunshine Law;

(9) Renames the Missouri Technology Investment Fund as the Missouri Science and Innovation Reinvestment Fund and specifies that it will be funded, in part, by moneys appropriated by the General Assembly based on a certain percentage of the increase in gross wages of science and innovation employees over base year gross wages as defined in the substitute. The Director of the Department of Economic Development, with assistance from the

Director of the Department of Revenue, must establish the base year gross wages and determine the annual increase of science and innovation employees' gross wages that exceeds the base year gross wages. This difference is multiplied by the applicable percentage to determine the amount that the Director of the Department of Revenue must transfer to the fund for each of the 25 funding years beginning July 1, 2011;

(10) Prohibits the board from selling the corporation or substantially all of its assets or merging the corporation with another entity without prior authorization by the General Assembly and specifies that the corporation will not terminate before the satisfaction of all outstanding financial obligations; and

(11) Requires any contract between the corporation and a not-for-profit organization for the operation of an innovation center to provide at least a 100% match by the nonprofit organization of any funds received by it from the corporation.

FISCAL NOTE: Estimated Net Effect on General Revenue Fund of an income of $0 in FY 2012, an income of $0 in FY 2013, and an income of $0 or a cost of Unknown in FY 2014. Estimated Net Effect on Other State Funds of an income of $0 in FY 2012, an income of $0 in FY 2013, and an income of $0 or a cost of Unknown in FY 2014.

PROPONENTS: Supporters say that by offering incentives for science and technology corporations to locate in Missouri many new jobs will be created around the state, not just in these fields, but in other industries with goods or services that support the science and technology corporations. The field of science and innovation technology is growing rapidly and competition among states to attract these corporation is intense. Missouri needs these programs and incentives to move ahead.

Testifying for the bill were Representative Diehl; Dr. Daniel Getman, Kansas City Area Life Sciences Institute, Incorporated; Steve Hobbs; University of Missouri; Dr. James Baker, Missouri State University and Jordan Valley Innovation Center; Dr. Jennifer Lodge, Washington University; Department of Economic Development; Kansas City Civic Council; Pat McGown, McGownGordon Construction, LLC, and Kansas City Area Development Council; Monsanto Company; Missouri Chamber of Commerce and Industry; Ryan Mooney, Springfield Area Chamber of Commerce; St. Louis Community College; Dr. Richard Norris, Center for Plant and Life Sciences, St. Louis Community College; Greater Kansas City Chamber of Commerce; Hallmark Cards; Donn Rubin, Coalition for Plant and Life Sciences, St. Louis; City of Kansas City; Karla Goldstein, Donald Danforth Plant Science Center; Elizabeth Noonan, St. Louis

Economic Council; Xaxax Analytics LLC; Dr. Gary Clapp, Institute for Industrial and Applied Life Sciences and Missouri Innovation Center; St. Louis Regional Chamber and Growth Association; Center for Emerging Technologies; and Jim Farrell, Cortex Research District.

OPPONENTS: Those who oppose the bill say that they are opposed to the bill because certain records are closed and there is a lack of limitation and guidance on legitimate purposes for funding.

Testifying against the bill was Missouri Right to Life.

OTHERS: Others testifying on the bill say that concerns from last session have been addressed regarding oversight to ensure that funds will not be used for prohibited purposes. The Missouri Technology Corporation is now accountable to the General Assembly, and every application and contract contains protective language about legitimate purposes for funding.

Testifying on the bill was Jason Hall, Missouri Technology Corporation.