

HCS#2 SCS SB 777 -- BUSINESS INCENTIVES

SPONSOR: Nieves (Cierpiot)

COMMITTEE ACTION: Voted "Do Pass" by the Special Standing Committee on Small Business by a vote of 18 to 0.

This bill changes the laws regarding business incentives. In its main provisions, the bill:

(1) Authorizes a state and local sales and use tax exemption on items related to new data storage centers, limited to the net fiscal benefit of the state calculated over a 10-year period on electrical energy, gas, water, other utilities including telecommunications and Internet services, machinery, equipment, and computers used in a new data storage center, and tangible personal property and materials for the purposes of constructing a new data storage center and server farm facility (Sections 67.2050 and 144.810, RSMo);

(2) Restricts the use of incentives under the BUILD program, the New or Expanded Business Facilities Program, the Urban Enterprise Loan Program or the Missouri Works Program for businesses that relocate from the Kansas counties of Douglas, Johnson, Miami, or Wyandotte to the Missouri counties of Cass, Clay, Jackson, or Platte. The incentives are effective when the Director of the Department of Economic Development certifies to the Governor, Speaker of the House of Representatives, and the President Pro Tem of the Senate that Kansas has adopted similar policies either through legislation or executive order. The incentives will be prohibited when Kansas no longer offers incentives for a business to relocate from Missouri to Kansas (Section 135.1670);

(3) Specifies property used for charitable purposes includes residential facilities owned by tax exempt organizations (Section 137.100);

(4) Adds receipts of royalties, license fees, and other income for the use of intangible property; and services for compensation to the definition of sales in the formula a corporation uses to determine Missouri taxable income and provides guidance on how the items are apportioned to the state (Section 143.451);

(5) Removes the expiration date of January 1, 2015 from the state and local sales and use tax exemption for materials, replacement parts, and equipment used for modification, replacement, repair, or maintenance of aircraft, aircraft power plants, and aircraft accessories (Section 144.030);

(6) Authorizes a state and local sales and use tax exemption for aircraft sold to non-Missouri residents. To be eligible for the exemption, the aircraft cannot be based in the state and must be removed from the state within 10 days of the later of transfer of title or a return to service associated with a transfer of title (Section 144.030);

(7) Authorizes a state and local sales and use tax exemption for the sale of a used manufactured home (Section 144.044);

(8) Requires the payment of use tax to be included in the taxes covered by a statement of no tax due required before a city or county occupation license or a state retail business license is issued or renewed. Beginning January 1, 2018, the no tax due statement must include individual and corporate income tax (Section 144.083);

(9) Specifies that any new business applying for a retail sales license cannot be required to file any bond with the Department of Revenue beginning January 1, 2015 (Section 144.087);

(10) Authorizes cities of the fourth classification within Jackson County to enact as penalties for ordinance violations a fine of up to \$1,000, imprisonment not exceeding three months, or both a fine and imprisonment (Section 546.902);

(11) Creates an exception to allow the sale of motorcycles on Sundays. Currently, a business that sells motor vehicles cannot be open on Sunday in Missouri (Section 587.120);

(12) Requires the Department of Economic Development to establish the Missouri Startup Cloud Program to facilitate the dissemination of business financial products from financing providers to Missouri-based businesses and provide information regarding the benefits of starting, expanding, or relocating a business to Missouri (Section 620.1650);

(13) Requires the Department of Economic Development to establish an Internet website, independent from the department's website, where a business financing provider may post any available financial products or services that assist Missouri businesses free of charge. The website must clearly explain the benefits of starting, expanding, or relocating a business to Missouri along with any pertinent business startup information. The department must establish the website within 90 days of the effective date of the bill or contract with an outside Internet website developer to create the exchange. The contract for maintaining the exchange must be annual and all costs associated with the development, marketing, and maintenance must be the sole responsibility of the

awarded website developer who is authorized to sell and retain any funds from advertising space on the website. The department may terminate the contract if the developer fails to operate under the department's rules. The department must retain and have exclusive rights and ownership of all content produced on the exchange website (Section 620.1650);

(14) Creates the Missouri International Business Advertising Fund consisting of appropriated moneys, contributions, grants, and bequests to be used solely to attract international businesses to Missouri. The fund must be used for advertising the benefits of relocating an international business to Missouri. The fund may also be used to promote its existence and purpose and to advertise in international business magazines, on social media sites, or any search engine that receives international traffic. The fund must be administered and managed by the Missouri Small Business Technology and Development Center and its coordinator (Section 620.1915);

(15) Establishes the Bring Jobs Home Act that authorizes, for all taxable years beginning on or after January 1, 2014, a tax credit against income tax other than the withholding tax of up to 20% of the eligible expenses associated with eliminating a business located outside of the state and reestablishing it in Missouri. The elimination may occur in a year other than the year the relocation occurs, and the expenses must be under a written plan. The amount of the tax credit claimed cannot exceed the amount of the taxpayer's state tax liability for the year for which the credit is claimed but any amount that cannot be claimed may be carried over to the next three succeeding years until the credit has been fully claimed. To be eligible for the tax credit, the number of full-time employees in Missouri for the year the credit is claimed must exceed the number of full-time employees for the year preceding the year in which the eligible expenses were paid or incurred. Eligible expenses must be taken into account during the taxable year that the plan has been completed and all eligible expenses have been paid or incurred. A credit will not be allowed for any expenses incurred when dissolving a business in Missouri and relocating it to another state. The maximum annual amount of tax credits issued under this program cannot exceed \$10 million and will be issued on a first come first served basis. A taxpayer who receives tax credits under these provisions cannot be eligible to receive tax credits under any other state tax credit program for the same expenses incurred. If a taxpayer is allowed a credit under this program and within 10 years of receiving the credit eliminates the business unit for which the credit was allowed, the taxpayer must repay the state an amount equal to the amount of the credit allowed (Section 620.2425); and

(16) Establishes the Committee for Entrepreneurs within the Department of Economic Development to determine the criteria necessary for an adequate curriculum for an accelerated technology education program, approve grant applications to institutions and qualified organizations for the development, expansion, or continuance of an accelerated technology education program, present an annual report detailing the committee's findings to the General Assembly by March 15, and award up to 10 grants of \$15,000 to institutions or qualified organizations each year (Section 620.2650).

The provisions of Section 620.2650 will expire on August 28, 2019, the provisions of the bill regarding a tax exemption for expanding data centers will expire on September 1, 2020, and the provisions of Sections 620.2425 and 620.2600 will expire six years after the effective date.

The provisions of Section 620.2650 contain an emergency clause.

PROPOSERS: Supporters say that currently all airplane parts are exempt and the bill just extends that exemption. Airplanes are very mobile and could overfly Missouri without this exemption. The exemption has created hundreds of jobs across Missouri and puts the state on a level playing field with many other states. The major motivation for supporting the bill is the recent announcement of Aviation Technical Services (ATS) on February 1 of the opening of its new maintenance operation at the Kansas City International Airport this April. There is a seven-year lease with ATS, valued at \$7 million for 600,000 square feet of space with two 10-year renewal options and \$9.8 million is projected for leasehold improvements and manufacturing machinery and equipment. ATS will hire approximately 540 new employees, with 40 contract workers for the Kansas City International Airport facility within three to five years, with a potential for eventual growth of 1,000 jobs. The average wage for skilled employees will be about \$60,000 per year. ATS is the largest maintenance, repair, and overhaul provider on the west coast. ATS describes itself as one of the largest suppliers of Boeing 737 and 757 airframe maintenance in the world. When American acquired TWA, it began to shrink its workforce. Some employees went to other industries, some went without work, some moved out of Missouri, and some are commuting to Tulsa, Chicago, and Indianapolis. The bill will allow this workforce to return to work in Missouri.

Testifying for the bill were Terry Schlemeier; Greater Kansas City Chamber of Commerce; Aviation Technical Services, Lambert International Airport; City of Kansas City; John Bales; and Kansas City Civic Council.

OPPONENTS: There was no opposition voiced to the committee.