HCS HB 1675 -- MANUFACTURING JOBS ACT

SPONSOR: Nolte

COMMITTEE ACTION: Voted "do pass" by the Committee on International Trade and Immigration by a vote of 8 to 0.

This substitute establishes the Manufacturing Jobs Act which provides incentives for qualified suppliers or manufacturing facilities that create or retain Missouri jobs. In its main provisions, the substitute:

(1) Defines a “qualified manufacturing facility” as a business which:

(a) Manufactures goods in Missouri;

(b) Derives more than 10% of its total sales revenues from goods produced at the facility which are ultimately exported outside the United States or that derives more than 20% of its total sales revenues from goods produced at the facility which are exported outside of Missouri;

(c) Makes an additional capital investment of at least $50,000 per full-time employee equivalent retained at the facility;

(d) Manufactures a new product that has not been manufactured in Missouri by the company that owns the facility at any time prior to the date of the notice of intent; and

(e) Continues to manufacture these goods for a period of at least five years from the date of the notice of intent;

(2) Defines “qualified supplier” as a company which:

(a) Derives more than 10% of its total annual revenues from sales to a qualified manufacturing facility;

(b) Adds five or more new jobs;

(c) Pays wages for new jobs that are equal to or exceed the industry average wage for Missouri as determined by the Department of Economic Development using the National American Industry Classification System (NAICS) industry classifications; and

(d) Provides health insurance to employees and pays at least 50% of the insurance premiums;

(3) Allows a qualified manufacturing facility, upon approval of

a notice of intent by the department, to retain 50% of the withholding taxes from retained jobs for 10 years and also remain eligible to participate in the Missouri Quality Jobs Program if it meets its requirements. Qualified manufacturing facilities cannot simultaneously receive benefits from:

(a) New or expanded business facilities (Sections 135.100 - 135.150, RSMo);

(b) Enterprise zones (Sections 135.200 - 135.286);

(c) Relocation of a business to a distressed community (Section 135.535); or

(d) Rural empowerment zones (Sections 135.900 - 135.906);

(4) Specifies that if the facility is utilizing withholding taxes from the new jobs for any other state program, the taxes will first be credited to the other state program before they will begin to accrue to this program. If the facility is participating in the New Jobs Training Program, it cannot retain any withholding taxes that are already allocated for use in that program;

(5) Allows a qualified supplier, upon approval of a notice of intent by the department, to retain 100% of the withholding taxes from new jobs for three years. If the qualified supplier pays wages for the new jobs that are equal to or greater than 120% of the industry average wage for Missouri as determined by the department using NAICS industry classifications, it can retain the withholding taxes for five years;

(6) Requires the department to respond with an approval or rejection within 30 days to a qualified manufacturing facility or qualified supplier who provides a notice of intent to receive benefits under this program. Failure of the department to respond will result in the notice of intent being deemed an approval;

(7) Specifies that any taxpayer who is awarded benefits under this program and knowingly hires individuals who are not allowed to work legally in the United States will immediately forfeit these benefits and repay the state an amount equal to any withholding taxes already retained;

(8) Requires a qualified manufacturing facility or qualified supplier that fails to comply with the provisions of the program to repay all benefits previously obtained from the state with an interest of 5% per year from the date the benefit was originally received;

(9) Requires the department to submit an annual report by March 1 to the General Assembly with information on the participating facilities and suppliers, the amount of benefits provided, the net state fiscal impact, and the number of new and retained jobs;

(10) Limits the aggregate amount of retained withholding taxes authorized under the program to $35 million per year; and

(11) Specifies that taxpayers awarded benefits under the program will not be required to obtain affidavits from subcontractors regarding the employment of illegal immigrants.

The provisions of the substitute will expire six years from the effective date.

FISCAL NOTE: Estimated Cost on General Revenue Fund of $99,259 to $35,099,259 in FY 2011, $108,949 to $35,108,949 in FY 2012, and $112,217 to $35,112,217 in FY 2013. No impact on Other State Funds in FY 2011, FY 2012, and FY 2013.

PROPONENTS: Supporters say that manufacturing facilities are very important to the communities in which they are located. The bill will help by allowing Missouri to compete with other states that have these types of incentives for manufacturers by making it more attractive for them to locate new product-line facilities in Missouri. It also recognizes the importance of suppliers and will assist the export market from Missouri providing one more tool to encourage business expansion in Missouri.

Testifying for the bill were Representative Nolte; Associated Industries of Missouri; Jim Stoufer, Village of Claycomo Board of Trustees; Jeff Wright, United Auto Workers, Local 249; Randy Bland, United Auto Workers, Local 710; Deb Hermann, Kansas City Councilwoman; Greater Kansas City Chamber of Commerce; Economic Development Corporation of Kansas City, Missouri; Clay County Economic Development Council; Missouri Chamber of Commerce and Industry; National Federation of Independent Business; Richard Gronniger, Altec Industries, Incorporated; Carl Deutsch, Standard Machine and Manufacturing Company; James T. Price, Spencer, Fane Britt and Browne, LLP; Tony Miller, Penny Plate, Incorporated; Al Close, Pittsburgh Corning Corporation; Kansas City Power and Light; Kansas City Area Development Council; and Missouri Economic Development Council.

OPPONENTS: There was no opposition voiced to the committee.

OTHERS: Others testifying on the bill say that it will provide an incentive for manufacturing facilities to stay in Missouri.

Testifying on the bill was Department of Economic Development.