

HCS HB 366 -- ECONOMIC DEVELOPMENT (Silvey)

COMMITTEE OF ORIGIN: Committee on Economic Development

This substitute changes the laws regarding community improvement districts, municipal technology business facility projects, data storage centers and server farm facilities, and job retention tax credits.

COMMUNITY IMPROVEMENT DISTRICTS

The substitute authorizes a community improvement district to:

- (1) Assist or to construct, reconstruct, install, repair, maintain, and equip any publicly or privately owned real or personal property used for creating a solar photovoltaic project or a solar thermal energy project; and
- (2) Provide or contract for cleaning, maintenance, and other services for any public or private real or personal property installed as part of a special energy improvement project.

MUNICIPAL TECHNOLOGY BUSINESS FACILITY PROJECTS

The governing body of any county, city, incorporated town, or village is allowed to engage in a project 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 a technology business facility project 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.

DATA STORAGE CENTERS AND SERVER FARM FACILITIES

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:

- (1) All electrical energy, gas, water, and other utilities including telecommunications and Internet services;
- (2) All machinery, equipment, and computers; and
- (3) 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:

- (1) 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;
- (2) 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
- (3) 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.

JOB RETENTION TAX CREDITS

The substitute extends the provisions regarding the issuance of job retention tax credits from August 30, 2013, to August 30, 2015, and authorizes economic incentives for a job retention project within a high-risk metropolitan statistical area as defined in the substitute under the Missouri Quality Jobs Program for a qualified company that retains a specified number of existing jobs and makes a specified amount of new capital investments. The economic incentive can be in the form of retaining taxes otherwise withheld from retained jobs, tax credits, or sales and use tax exemptions. The substitute specifies the requirements for a qualified company to receive benefits under the program, how the benefits will be calculated, and penalties for failure to meet any requirements under the program. If a qualified company receives benefits for a job retention project within a high-risk metropolitan statistical area under the Missouri Quality Jobs Program, it cannot receive any tax credit or exemption or retain withholding taxes under the Manufacturing Jobs Act, Section 620.1910, RSMo.

FISCAL NOTE: Estimated Net Cost on General Revenue Fund of Unknown in FY 2012, Unknown in FY 2013, and More than \$100,000 to Unknown in FY 2014. Estimated Net Cost on Other State Funds of Unknown in FY 2012, Unknown in FY 2013, and Less than \$100,000 to Unknown in FY 2014.