

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5410-01
Bill No.: HCR 23
Subject: General Assembly; Economic Development Department
Type: Original
Date: February 6, 2012

Bill Summary: This proposal grants authority to the Department of Economic Development to approve qualified equity investments.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(\$240,000)	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	(\$240,000)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Budget and Planning (BAP)** assume this proposal authorizes the Missouri New Markets Development Program by concurrent resolution. The amount of tax credits available for this program is \$25 million in FY13 and \$25 million for part of FY14. This proposal could therefore lower General and Total State Revenues by that amount. BAP notes that in FY 11 \$1.2 million of New Markets Tax Credits were redeemed. This proposal may encourage other economic activity, but BAP does not have data to estimate induced revenues.

Officials at the **Department of Economic Development (DED)** assume the concurrent resolution grants authority to DED to approve qualified equity investments under Section 135.680 (Qualified Equity Investment Tax Credit program). A taxpayer that makes a qualified equity investment under Section 135.680 earns a vested right to tax credits. The tax credit program is capped at \$25 million in any fiscal year.

DED assumes an unknown negative impact over \$100,000 as a result of the resolution. The remaining tax credit cap in FY2012 is \$445,000 and in FY2013 is \$240,000.

Oversight assumes the statutes place a tax credit utilization limit of \$25 million in each fiscal year. This proposal keeps that tax credit utilization limit in place. Therefore, this proposal would allow the issuance of the remaining amount of the cap, \$240,000, in FY 2013. While the program allows for the utilization of the tax credit over an eight year period, for the simplicity of the fiscal note Oversight will show the full amount utilized in FY 2013.

Oversight assumes that according to this proposal the sunset of the program remains September 4, 2013.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE			
<u>Revenue Reduction - Dept of Economic Development, utilization of the tax credit</u>	<u>(\$240,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$240,000)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

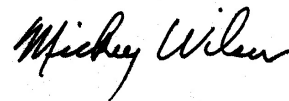
FISCAL DESCRIPTION

This proposal grants authority to the department of economic development to approve qualified equity investments.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Budget and Planning
Department of Economic Development



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February 6, 2012