

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5434-01
Bill No.: HB 1455
Subject: Economic Development; Appropriations; Economic Development Department
Type: Original
Date: February 17, 2012

Bill Summary: This proposal modifies provisions relating to the Manufacturing Jobs Act and requires the prioritization of the use of funds in the Missouri Job Development Fund to assist “qualified suppliers.”

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on General Revenue Fund	\$0	\$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 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All Federal Funds</u>	\$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 modifies the qualified supplier provisions of the Manufacturing Jobs Act. The amount of benefits available for qualified suppliers is not limited. The legislation authorizes up to 6.5 percent of new payroll to be retained, depending upon the amount of the new wages. The amount of benefits awarded to a supplier could exceed the actual new tax revenue generated by new jobs created. If a qualified supplier is eligible for more benefit than can be retained through withholding taxes, the qualified supplier will be issued a refundable tax credit. This proposal could therefore lower General and Total State Revenues by an unknown amount. This program may encourage other economic activity, but BAP does not have data to estimate induced revenues.

Officials at the **Department of Economic Development (DED)** assume this proposal expands the Manufacturing Jobs Act under Section 620.1910 to allow qualified suppliers to receive incentives based on certain eligibility requirements. This revision will increase the number of applicants for the program and therefore increase the amount of incentives authorized, although the cap remains unchanged. DED assumes this proposal would encourage positive economic activity in the state over \$100,000, from the job creation requirements of this proposal.

DED is responsible for determining eligibility of qualified suppliers under the expanded portion of the program and anticipates the need for one additional FTE. This FTE would be an Economic Development Incentive Specialist III (\$40,212) and would be responsible for reviewing applications to determine eligibility for the program and ensuring compliance with the program.

Oversight assumes DED could absorb the responsibilities of proposal with existing resources since the cap on the program has not changed.

Oversight assumes the changes to this existing program would have a positive impact on the state. However, Oversight considers this to be an indirect impact of the proposal and will not reflect it in the fiscal note.

Officials at the **Department of Revenue (DOR)** assume OA-ITSD (DOR) will need to make programming changes to various tax systems and form changes. The estimated cost of these changes would be \$26,712 for 1,008 FTE hours. Additionally, the Corporate/Withholding Tax Division would need one Revenue Processing Technician I (\$25,380) for every 6,000 additional tax credit redemptions.

ASSUMPTION (continued)

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

Oversight assumes DOR’s Corporate/Withholding Tax Division could absorb the responsibilities of this tax credit with existing resources. Should DOR experience the number of additional tax credit redemptions to justify another FTE they could seek that FTE through the appropriation process.

Oversight assumes that while this proposal may encourage more qualified suppliers to apply for the tax credit, the cap of the tax credit is unchanged. Therefore this proposal would not have a fiscal impact.

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

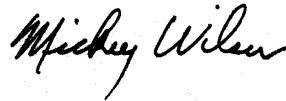
This proposal modifies provisions relating to the Manufacturing Jobs Act and requires the prioritization of the use of funds in the Missouri Job Development Fund to assist "qualified suppliers."

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

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SOURCES OF INFORMATION

Budget and Planning
Department of Economic Development
Department of Revenue



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