

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2242H.011  
 Bill No.: HB 1061  
 Subject: Economic Development; Business and Commerce; Taxation and Revenue -  
 Income  
 Type: Original  
 Date: March 3, 2021

Bill Summary: This proposal would change the Missouri Works Program by making certain retailers in third and fourth counties eligible for the program.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue Fund*	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

\*Oversight assumes the changes in the bill may increase the number of projects that qualify under the Missouri Works Program and therefore increases the amount of benefits awarded. Oversight assumes the increased benefits awarded could exceed \$250,000

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this proposed legislation would allow certain retailers in a county of the third or fourth classification to be eligible for the Missouri Works Program. To the extent businesses qualify for additional tax credits this proposed legislation could impact General Revenue (GR) and Total State Revenues (TSR) and the calculation pursuant to Article X, Section 18(e). Additionally, to the extent this proposed legislation encourages other economic activity, GR and TSR may increase, but B&P cannot estimate the induced revenues.

Officials from the **Missouri Department of Revenue (DOR)** state this proposed legislation adds retailers in 3<sup>rd</sup> and 4<sup>th</sup> class counties to the definition of a Qualified Company under the MO Works Program. While this may expand the number of companies that could qualify for benefits under this program, the annual cap on the program is unchanged. So this is not expected to have a fiscal impact.

**Oversight** notes this section modifies the definition of “Qualified Company”.

Currently, the definition of “Qualified Company” states term shall not include: store front consumer-based retail trade establishments (under NAICS Sectors 44 and 45), except with respect to any company headquartered in this state with a majority of its full time employees engaged in operations not within the NAICS codes specified in this subdivision.

This section modifies the definition so that store front consumer based retail trade establishments (under NAICS Sectors 44 and 45) located in a county of the third or fourth classes **would** qualify as a “Qualified Company”.

**Oversight** notes, per the most recent Tax Credit Analysis submitted by the Missouri Department of Economic Development, the Missouri Works Program had the following activity:

<b>Fiscal Year</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021 (Estimate)</b>	<b>2022 (Budget Year)</b>
<b>Certificates Issued (#)</b>	31	50	54	61	80
<b>Projects/Participants</b>	141	101	116	119	119
<b>Amount Authorized</b>	\$185,732,973	\$105,043,020	\$153,823,786	\$148,199,926	\$148,199,926
<b>Amount Issued</b>	\$45,830,250	\$82,326,472	\$134,393,278	\$188,341,232	\$181,272,564
<b>Amount Redeemed</b>	\$56,398,909	\$64,786,980	\$113,472,125	\$169,507,109	\$163,145,308

**Oversight** notes the three (3) year average amount authorized totals \$148,199,926. The three (3) year average amount issued totals \$87,516,667.

**Oversight** notes the three (3) year average number of certificates issued totals 45. The three (3) year average number of projects/participants totals 119.

**Oversight** notes, when dividing the three (3) year average amount authorized **or** issued by the three (3) year average number of certificates **or** projects/participants, the average amount authorized **or** issued **per taxpayer** is in excess of \$250,000.

Therefore, for purposes of this fiscal note, Oversight will report a revenue reduction equal to \$0 (participation in MO Works Program does not increase as a result of the change) to a negative “Unknown” as the result of an increase in participation of the MO Works Program as a result of the changes made to the definition of Qualified Company.

**Oversight** assumes this section will become effective August 28, 2021 (Fiscal Year 2022). Therefore, Oversight will report the aforementioned impact as a result of this section beginning in Fiscal Year 2022.

Officials from the **Missouri Department of Economic Development** do not anticipate this proposed legislation will cause a fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for this organization.

<u>FISCAL IMPACT –</u> <u>State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>GENERAL REVENUE FUND</b>			
<u>Revenue Reduction –</u> Section 620.2005 – Change In Definition of “Qualified Company”	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

This proposed legislation could impact a small business that is a store front consumer-based retail trade establishment as such company could potentially qualify for the Missouri Works Program benefits.

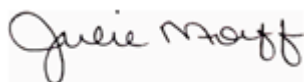
FISCAL DESCRIPTION

This bill provides that store front consumer-based retail trade establishments located in any county of the third or fourth classification may qualify for benefits under the Missouri Works Program.

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

Office of Administration – Budget & Planning Division  
Missouri Department of Revenue  
Missouri Department of Economic Development



Julie Morff  
Director  
March 3, 2021



Ross Strobe  
Assistant Director  
March 3, 2021