

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2242H.01P
 Bill No.: Perfected HB 1061
 Subject: Economic Development; Business and Commerce; Taxation and Revenue -
 Income
 Type: Original
 Date: April 27, 2021

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

FISCAL SUMMARY

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

*Oversight assumes the changes in the bill may increase the number of projects that qualify under the Missouri Works Program and therefore increase the amount of benefits awarded. Oversight assumes the increased benefits awarded could exceed \$250,000. Oversight assumes there would be some positive economic benefit to the state if some retail establishments are now allowed to utilize the Missouri Works Program; however, Oversight considers these to be indirect impacts of the legislation and will not reflect them in the fiscal note.

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

Numbers within parentheses: () indicate costs or losses.

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

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

- 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.

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

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 3rd and 4th 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 the 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 located in a county of the third or fourth class **could** 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:

Fiscal Year	2018	2019	2020	2021 (Estimate)	2022 (Budget Year)
Certificates Issued (#)	31	50	54	61	80
Projects/Participants	141	101	116	119	119
Amount Authorized	\$185,732,973	\$105,043,020	\$153,823,786	\$148,199,926	\$148,199,926
Amount Issued	\$45,830,250	\$82,326,472	\$134,393,278	\$188,341,232	\$181,272,564
Amount Redeemed	\$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 – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Revenue Reduction – Section 620.2005 – Change In Definition of “Qualified Company”</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

<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.

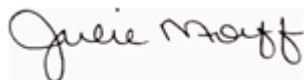
FISCAL DESCRIPTION

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.

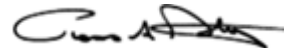
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

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



Julie Morff
Director
April 27, 2021



Ross Strobe
Assistant Director
April 27, 2021