

The Missouri General Assembly concluded its fourth week of the 2010 legislative session today. This week was packed with committee hearings on both economic development incentive programs and reforms for Missouri's tax structures. Summaries of each are below. Please let me know if you have any questions.

#### Joint Committee on Tax Policy

The Joint Committee on Tax Policy met this week for a final discussion before drafting its recommendations for the tax credits programs they evaluated during the interim. The committee reviewed tax credits for business recruitment, community development, entrepreneurial development, and a collection of miscellaneous incentives. The goal of this hearing was to allow another opportunity for committee members to ask questions of staff and refresh their notes regarding testimony heard over the past several months, prior to drafting their final report.

Several committee members echoed the desire of committee Chairman Senator Brad Lager (R-Savannah) to have an independent accounting firm calculate the state's return on investment received through business development tax credits. Senator Joan Bray (D-St. Louis) suggested that, while the Committee may make a recommendation to eliminate some existing tax credits, an archive of programs be kept that could be referenced in case future need would necessitate their use. We will continue to closely monitor the continuing actions of this committee.

#### Fair Tax

The Senate Committee on Accountability and Fiscal Oversight held a hearing this week on SJR 29, sponsored by Sen. Chuck Purgason (R-Caulfield). This proposed constitutional amendment would, upon voter approval, replace the state individual and corporate income tax, the corporate and bank franchise tax and state sales and use tax with a tax on the sale, use, or consumption of new tangible personal property and taxable services equal to 5.11% beginning January 1, 2012.

Component parts or ingredients of a new tangible personal property to be sold at retail, federal government purchases, and business-to-business transactions including agriculture would be exempt from the new tax while all other exemptions and tax credits would be eliminated. The enactment of any new exemptions would require a two-thirds affirmative vote by the General Assembly and approval by the Governor. The conservation sales tax, the soil and parks sales tax, and local sales taxes will be recalculated to produce substantially the same amount of revenue as they do currently. Each qualified family would receive a sales tax rebate based on the federal poverty level guidelines to offset the sales tax on basic necessities. The bill received support from John Putnam, Co-State Director of MOFairTax, Inc., and economist and former legislator Dr. Ed Robb. Jim Moody, lobbyist, economist, and former state budget director, the Missouri Retailers Association, the Missouri Budget Project, the Missouri Realtors Association, Catholic Charities of St. Louis, and Missouri Partnership for Kids all testified in opposition. The committee did not take any action on the joint resolution.

#### Missouri Jobs for the Future

The House Job Creation and Economic Development Committee held a hearing this week on HB 1635, sponsored by Rep. Tim Flook (R-Liberty). This bill, titled "Missouri Jobs for the Future", would allow municipalities to collaborate with a college or university to create tax increment financing-like districts for the establishment of high-tech industrial parks. The bill received support from the City of Blue Springs, City of Liberty, Platte County Economic Development Corporation, Johnson County Economic Development Corporation, Missouri Economic Development Council, Associated Industries of Missouri, the Missouri Chamber of Commerce and Industry, Greater Kansas City Area Chamber of Commerce, St. Joseph Area Chamber of Commerce, St. Louis Community College, University of Central Missouri, Kansas City Power & Light, and Treanor Architects. There was no opposition presented. The committee did not take any action on the bill.

#### Missouri Business First Act

The House Job Creation and Economic Development Committee held a hearing this week on HB 1684, sponsored by Rep. Ann Zerr (R-St. Charles). This bill, titled "Missouri Business First Act", is priority legislation of Governor Jay Nixon. The bill would allow the Director of the Department of Economic Development, upon a finding of economic benefit to the state, to authorize an increase in the amount of a tax credit, withholding retention, or other economic benefit by up to an additional 10% for certain existing Missouri business expansion projects. The bill received support from DED Director David Kerr, the Springfield Area Chamber of Commerce, the Kansas City Economic Development Corporation, the Greater Kansas City Area Chamber of Commerce, the Civic Council of Greater Kansas City, Associated Industries of Missouri, the St. Louis Regional Chamber and Growth Association, the Missouri Chamber of Commerce and Industry, the Missouri Economic Development Council, and the National Federation of Independent Business. Bruce Hillis, of Missouri First Incorporated, testified that tax incentives for business development purposes unfairly tip the marketplace in favor of certain businesses at the expense of other. Missouri First Incorporated is a non-profit organization that advocates for free markets. Chairman Flook announced that he intends to bring this bill up for approval at next week's committee hearing.

#### Manufacturing Jobs Act

The International Trade and Immigration Committee held a hearing this week on HB 1675, sponsored by Rep. Jerry Nolte (R-Gladstone). This bill, titled the "Manufacturing Jobs Act", establishes incentives for qualified suppliers or manufacturing facilities that create or retain Missouri jobs. This bill is being pushed in an attempt to encourage the Ford Motor Company to add a new vehicle line to their assembly facility in Claycomo, Missouri when the existing generation of Ford Escapes cease production. The bill has been drafted in a manner that would allow its use throughout the entire state. The bill received support from the Village of Claycomo, UAW Locals #249 and #710, the Clay County Economic Development Council, Kansas City Councilwoman Deb Herman, the Kansas City Area Development Council, the Greater Kansas City Area Chamber of Commerce, the Kansas City Economic Development Corporation, Kansas City Power & Light, the Missouri Economic Development Council, the Missouri Chamber of Commerce and Industry, Associated Industries of Missouri, and the National Federation of Independent Business. There was no opposition presented and, while support was not received from the Missouri Department of Economic Development, informational testimony was given by Deputy Director Mike Downing to show general support for the concept. The committee did not take any action on the bill.