

MEDC Legislative Update - February 4, 2010

By: Brian Grace

**APPROPRIATIONS FOR ALLOCATIONS OF STATE TAX CREDITS** The Senate Committee on Governmental Accountability and Fiscal Oversight held a hearing this week on SB 728, sponsored by Sen. Jason Crowell (R-Cape Girardeau). This bill would modify every state tax credit program by limiting the amount of credits available for authorization in each fiscal year based upon an allocation made by the enactment of the appropriation bill for public debt. During the presentation of his bill, Sen. Crowell made clear his intention to filibuster the creation of any new tax credits this year until passage is given to his plan to reign in spending on state tax credit programs. The basis for Sen. Crowell's argument is that tax credits should be held to the same appropriating standards used for education and Medicaid funding. Committee Chairman Sen. Chuck Purgason (R-Caulfield) informed the audience that he does not intend to advance any of the approximately twenty bills creating new tax credits or exemptions that have been referred to his committee.

Supporting testimony was offered by the Missouri National Education Association and the Missouri State Teachers Association. Both witnesses stated that, while they are not sure Sen. Crowell's legislation is the perfect solution, they appreciate his efforts to move the discussion of a competitive appropriations process forward.

Representatives of Gardner Capital, BKD, the Affordable Housing and Redevelopment Alliance, and the Workforce Housing Association all testified in opposition to the bill in specific regard to the negative impact it would have on the development of low-income housing developments. Jim Moody, speaking on behalf of Gardner Capital, encouraged the committee to explore an adjustment of the statutory caps placed on each tax credit program as a means to control their growth, instead of inclusion in the appropriations process - which could have the effect of financially binding future legislatures for credits with multi-year pay-outs. Opposition was also voiced from Melinda Winchester, a historic preservationist in Cape Girardeau, the Missouri Coalition for Historic Preservation and Economic Development, the Missouri Chamber of Commerce and Industry, the Missouri Association of Realtors, Campaign Life Missouri, the St. Louis Regional Chamber and Growth Association, and the Carpenters' District Council of Greater St. Louis. The committee did not take any action on the bill.

#### **MISSOURI BUSINESS FIRST ACT**

The Senate Jobs, Economic Development and Local Government Committee held a hearing this week on SB 813, sponsored by Sen. John Griesheimer (R-Washington). 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 Missouri Economic Development Council, the Missouri Growth Association, the Missouri Chamber of Commerce and Industry, Associated Industries of Missouri, the Missouri State Council of the Society for Human Resource Management, the Greater Kansas City Area Chamber of Commerce, and the Civic Council of Greater Kansas City. 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 others. Missouri Right to Life also testified in

opposition, citing the possibility that the bill could provide tax incentives for companies conducting stem cell research. The committee did not take any action on the bill. This bill is similar to HB 1684, which was heard by the House Job Creation and Economic Development Committee last week.

#### TAX INCENTIVES FOR DATA STORAGE CENTERS

On Tuesday the House Job Creation and Economic Development Committee held a hearing on HB 1513, sponsored by Rep. Tim Flook (R-Liberty). This bill authorizes a sales tax exemption on the utilities and all retail sales of certain tangible personal property and materials for facilities used by data storage centers and server farm facilities. Supporting testimony was offered by Ora Reynolds, President of Hunt Midwest Real Estate Development, the Kansas City Area Development Council, the Greater Kansas City Chamber of Commerce, the City Manager's Office of Kansas City, Kansas City Power & Light, the Missouri Economic Development Council, the Missouri Growth Association, the Missouri Chamber of Commerce and Industry, and Associated Industries of Missouri. There was no opposition testimony offered.

**OMNIBUS ECONOMIC DEVELOPMENT LEGISLATION** The House Job Creation and Economic Development Committee met on Wednesday to craft an omnibus economic development bill. The underlying bill, HB 1684, sponsored by Rep. Ann Zerr (R-St. Charles), would create Governor Nixon's "Missouri Business First Act". The committee added the following legislation to the underlying bill:

- . HB 1432 - changes the laws regarding port authorities and allows port authority boards to establish port improvement districts to fund certain projects with voter-approved sales taxes or property taxes.
- . HB 1512 - establishes provisions to encourage the investment in and the development of technology-based early stage Missouri businesses.
- . HB 1513 - authorizes a sales tax exemption on the utilities and all retail sales of certain tangible personal property and materials for facilities used by data storage centers and server farm facilities.
- . HB 1615 - authorizes a tax credit for qualified research expenses.
- . HB 1635 - authorizes the establishment of Missouri Jobs for the Future districts.
- . HB 1675 - establishes the Manufacturing Jobs Act which establishes incentives for qualified suppliers or manufacturing facilities that create or retain Missouri jobs.

HB 1684, as amended, was given unanimous approval by the committee.