

**MISSOURI TAX REVIEW COMMISSION SUBCOMMITTEE
REPORT AND RECOMMENDATION
COVER SHEET**

Prepared and Approved by: Distressed Communities Tax Credit Committee
Submitted to The Missouri Tax Credit Review Commission on: 11/4/10

Name and Statutory Citation of Credit:

Brownfield Jobs/Investment, Section 447.700 - .718 RSMo.

1 Objective, Purpose, and Perceived Beneficial Effects of Credit (e.g., Economic Development/Societal Need Met)

Provides a credit for a business that creates at least 2 new jobs or retains at least 25 jobs at a formerly-contaminated site that successfully participates in the Department of Natural Resources' Voluntary Cleanup Program.

2 Cost - Benefit Analysis

FY 2009 n/a
FY 2010 n/a

3 Number of Persons: (a) Applying for; and (b) Utilizing Credit in:

(a) 2009: 4 2010: 4
(b) 2009: 4 2010: 4

4 Fiscal Impact on State in 2009, 2010, 2011, and Estimated Impact in 2012 (Amount in \$\$ of Redemptions), and Total Remaining Unredeemed Credits:

2009: \$1,965,406 2010: \$1,650,222 2011: \$1,800,000(estimated)
2012: \$1,800,000 (estimated) Est Amt. Outstanding: n/a

5 Recommended Priority Category of Credit (A, B, C, or D): **B**

6 Recommended Date of Termination if Category D:

7 Attachments Explaining Reasons to Retain Credit:

8 Attachments Explaining Reasons to Terminate Credit:

9 Attachments Explaining Alternatives for Modification of Credit:

10 Minority Report(s) Attached:

Attachment – **Brownfield Jobs/Investment**

The committee recommends that the Brownfield Jobs/Investment Tax Credit be improved during the 2011 legislative session to encourage greater job creation by increasing the minimum number of jobs that must be created to be eligible for the credit. The current program only requires the creation of two jobs to qualify for the credit.

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Name and Statutory Citation of Credit:

Brownfield Remediation, Section 447.700 - 447.718 RSMo.

1 Objective, Purpose, and Perceived Beneficial Effects of Credit (e.g., Economic Development/Societal Need Met)

Provides an incentive to redevelop property contaminated with hazardous waste through the Department of Natural Resources' Voluntary Cleanup Program. The project must create 10 new jobs or retain 25 jobs to qualify for the credit.

2 Cost - Benefit Analysis

FY 2009 n/a
FY 2010 n/a

3 Number of Persons Utilizing Credit in:

2009: 25 2010: 35

4 Fiscal Impact on State in 2009, 2010, 2011, and Estimated Impact in 2012 (Amount in \$\$ of Redemptions), and Total Remaining Unredeemed Credits:

2009: \$29,194,784 2010: \$17,590,273 2011: \$20,000,000 (estimated)
2012: \$20,000,000 (estimated) Est Amt. Outstanding: \$17,661,845

5 Recommended Priority Category of Credit (A, B, C, or D): B

6 Recommended Date of Termination if Category D:

7 Attachments Explaining Reasons to Retain Credit:

8 Attachments Explaining Reasons to Terminate Credit:

9 Attachments Explaining Alternatives for Modification of Credit:

10 Minority Report(s) Attached:

Attachment – **Brownfield Remediation**

The committee recommends that the General Assembly modify the Brownfield Remediation Tax Credit during the 2011 legislative session to impose an annual cap on tax credit authorizations under the program equal to the average amount authorized under the program during the last three fiscal years (approx. \$25 million). Imposing a cap on this program will provide greater budget certainty and control for the State without jeopardizing the effectiveness of this extremely valuable tool for redeveloping and returning to productive use formerly-contaminated properties. In addition, the committee recommends that the Commission consider whether the amount of the credit could be reduced from 100% of eligible costs and expense to increase the return on the state's investment.

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Name and Statutory Citation of Credit:
Distressed Land Assemblage, Section 99.1205 RSMo.

1 Objective, Purpose, and Perceived Beneficial Effects of Credit (e.g., Economic Development/Societal Need Met)
Applicant that has incurred, within an eligible project area, acquisition costs for the acquisition of 50 acres of at least seventy-five acres and whom has been appointed by the local municipality as the redeveloper of the redevelopment area is entitled to a tax credit of fifty percent of the acquisition costs and one hundred percent of the interest costs incurred for a period of five years after the acquisition of an eligible parcel.

2 Cost - Benefit Analysis

FY 2009 n/a
FY 2010 0.04

3 Number of Persons: (a) Applying for; and (b) Utilizing Credit in:

(a) 2009: 0 2010: 1
(b) 2009: 0 2010: 1

4 Fiscal Impact on State in 2009, 2010, 2011, and Estimated Impact in 2012 (Amount in \$\$ of Redemptions), and Total Remaining Unredeemed Credits:

2009: \$0 2010: \$6,731,635 2011: \$10,000,000 (estimated)
2012: \$10,000,000 (estimated) Est Amt. Outstanding: \$13,268,365

5 Recommended Priority Category of Credit (A, B, C, or D): A

6 Recommended Date of Termination if Category D:

7 Attachments Explaining Reasons to Retain Credit:

8 Attachments Explaining Reasons to Terminate Credit:

9 Attachments Explaining Alternatives for Modification of Credit:

10 Minority Report(s) Attached:

Attachment – **Distressed Area Land Assemblage**

The committee recommends that the General Assembly evaluate the effectiveness of the relatively new Distressed Area Land Assemblage program when additional data becomes available regarding the State and local return on investment as result of the credit.

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Name and Statutory Citation of Credit:

Neighborhood Preservation Act, Section 135.475 - 135.487 RSMo.

1 Objective, Purpose, and Perceived Beneficial Effects of Credit (e.g., Economic Development/Societal Need Met)

Provide an incentive for homeowners in certain lower income areas to rehabilitate their home, or incentive for "in-fill" new construction of owner-occupied housing. Geographic eligibility restrictions; age of home restrictions; must be residence intended for owner-occupancy.

2 Cost - Benefit Analysis

FY 2009 0.09
FY 2010 0.10

3 Number of Persons Utilizing Credit in:

(a) 2009: 192 2010: 202

4 Fiscal Impact on State in 2009, 2010, 2011, and Estimated Impact in 2012 (Amount in \$\$ of Redemptions), and Total Remaining Unredeemed Credits:

2009: \$ 5,176,659 2010: \$ 6,739,113 2011: \$6,000,000 (estimated)
2012: \$6,000,000 (estimated) Est Amt. Outstanding: \$3,522,021

5 Recommended Priority Category of Credit (A, B, C, or D): **B**

6 Recommended Date of Termination if Category D:

7 Attachments Explaining Reasons to Retain Credit:

8 Attachments Explaining Reasons to Terminate Credit:

9 Attachments Explaining Alternatives for Modification of Credit:

10 Minority Report(s) Attached:

Attachment – **Neighborhood Preservation Act**

The committee recommends that the General Assembly modify the Neighborhood Preservation Program during the 2011 legislative session to eliminate the “first-come-first-served” requirement that creates a lottery process for selecting eligible applicants in favor of a more targeted neighborhood-based approach that allows evaluation and funding of the most high impact projects that provide the best return on investment. The committee also recommends that the General Assembly modify the program to expand eligibility to neighborhood associations and other non-profit neighborhood groups.

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Name and Statutory Citation of Credit:

New Markets, Section 135.680 RSMo.

1 Objective, Purpose, and Perceived Beneficial Effects of Credit (e.g., Economic Development/Societal Need Met)

The New Markets Tax Credit may be used either to attract significant amounts of capital into funds established for the purpose of providing financing to Missouri businesses located in targeted areas of the state or to close a funding gap on a specific business development deal.

2 Cost - Benefit Analysis

FY 2009 n/a
FY 2010 n/a

3 Number of Persons: (a) Applying for; and (b) Utilizing Credit in:

(a) 2009: 0 2010: 11
(b) 2009: 0 2010: 11

4 Fiscal Impact on State in 2009, 2010, 2011, and Estimated Impact in 2012 (Amount in \$\$ of Redemptions), and Total Remaining Unredeemed Credits:

2009: \$0 2010: \$0 2011: \$15,000,000 (estimated)
2012: \$23,385,641 (estimated) Est Amt. Outstanding: \$8,708,000

5 Recommended Priority Category of Credit (A, B, C, or D): A

6 Recommended Date of Termination if Category D:

7 Attachments Explaining Reasons to Retain Credit:

8 Attachments Explaining Reasons to Terminate Credit:

9 Attachments Explaining Alternatives for Modification of Credit:

10 Minority Report(s) Attached:

Attachment – **New Markets**

The committee recommends no change to the existing New Markets Program, which can no longer accept new equity investments after July 1, 2010. The committee recommends that before the General Assembly considers reauthorizing the program, it require a complete report regarding the program's effectiveness, including the list of companies receiving loans, the number of jobs created, the private investments made, and the costs associated with fund management, including all fees and professional services.

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Name and Statutory Citation of Credit:

Rebuilding Communities, Section 135.535 RSMo.

1 Objective, Purpose, and Perceived Beneficial Effects of Credit (e.g., Economic Development/Societal Need Met)

Provides a tax credit for eligible businesses locating, relocating or expanding within a distressed community. A business must have fewer than 100 full-time employees, 75% of which must be located in the distressed community, and be primarily engaged in manufacturing, biomedical, medical devices, scientific research, animal research, computer software design or development, computer programming, including Internet, web hosting, and other information technology, wireless or wired or other telecommunications or a professional firm.

2 Cost - Benefit Analysis

FY 2009 0.13
FY 2010 0.14

3 Number of Persons Utilizing Credit in:

2009: 48 2010: 33

4 Fiscal Impact on State in 2009, 2010, 2011, and Estimated Impact in 2012 (Amount in \$\$ of Redemptions), and Total Remaining Unredeemed Credits:

2009: \$1,548,622 2010: \$ 1,553,894 2011: \$1,584,000 (estimated)
2012: \$1,584,000 (estimated) Est Amt. Outstanding: \$2,728,081

5 Recommended Priority Category of Credit (A, B, C, or D): B

6 Recommended Date of Termination if Category D:

7 Attachments Explaining Reasons to Retain Credit:

8 Attachments Explaining Reasons to Terminate Credit:

9 Attachments Explaining Alternatives for Modification of Credit:

10 Minority Report(s) Attached:

Attachment – **Rebuilding Communities**

The committee recommends that the General Assembly modify the Rebuilding Communities Program during the 2011 legislative session to lower the current \$8 million annual cap to reflect actual historical usage (less than \$2.5 million annually). Lowering the cap will create greater budget certainty for the State without jeopardizing the availability of this worthwhile program.