Missouri Economic Development Council

MEDC
What A Way To Grow

Pat Amick, CMP, *Executive Director*

October 15, 2012

Commissioners Jim Anderson and Pete Levi, Co-Chairs
Economic Development Committee, Missouri Tax Credit Review Commission

Subject: Reconvening of Economic Development Committee, Missouri Tax Credit Review Commission

Dear Commissioners:

Our members – Missouri's economic and community developers – support the use of tax credit programs to incentivize business attraction, retention, and growth in our state. Economic development tax credits are the tools of our trade, and we firmly believe they must be strong, flexible, and effective programs.

We understand the need for a broad conversation about tax credits in the State of Missouri. For several years, important economic development legislation has stalled in the Capitol. A large reason for this inaction is the unresolved debate over tax credits. Therefore, we appreciate the opportunity to provide our input, and thank you for continuing this conversation.

If tax credits are modified during this legislative session, they must be strong elements in the effort to create jobs and investment in Missouri. We believe some tax credit programs can be improved.

As you reconvene, we believe the initial report of the Tax Credit Review Commission – Economic Development Committee is a good starting point. Several of the items you note are consistent with MEDC's efforts to advocate for better economic development programs.

Our members believe that economic development tax credits:

- Should effectively influence companies' decisions to expand or locate jobs and investment.
- Should complement efforts to attract, retain, and grow existing and new targeted industries.
- Should be flexible enough to meet the needs of large and small businesses in all areas of the state.
- Should provide a positive return on investment to the state.
- Should be simple to use, understand, and communicate to businesses.
- Should be combined into a streamlined and unified tax credit program.
- Should provide for up-front financing, in certain cases.
- Should not be subject to annual appropriations in order to reduce uncertainty.

Thank you again for continuing this important conversation. We will continue to advocate for effective economic development tax credit programs in Missouri. Please feel free to contact MEDC at any point to discuss this further.

Sincerely,

Ryan Mooney, CEcD
President, Missouri Economic Development Council

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ADVANTAGE

CAPITAL

PARTNERS

October 16, 2012

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Missouri Department of Economic Development
Attention: Tax Credit Review Commission
301 W. High St.
PO Box 1157
Jefferson City, MO 65102

RE: New Markets Development Program

Dear Committee Members,

In respect to the Committee's previous report, I would like to offer the following new information regarding the Missouri New Markets Tax Development Program. The program has remained a highly efficient tax credit and continues to offer more competitive pricing than other programs in the state.

The earlier report by this commission should be amended in several ways. One is to note that the program was given a two-year extension in 2011 after the report was published. Another extension is pending in Congress and is widely expected to advance in the next tax extenders legislation. The federal law is widely viewed as non-controversial within that extender package.

Even if the program extension is delayed at the federal level, the report should state that the Missouri sunset should be extended immediately. First, the program was designed to stand separate from the federal law, and does so effectively. Missouri will continue to make gains on its neighboring states in this kind of small business financing if the sunset is extended. Missouri currently leads each of its neighbors in raising this kind of capital nearly 2:1. But strong competition now exists in Illinois, Kentucky, and Nebraska that have all recently extended or enacted programs.

Second, the US Treasury continues to accept applications for the program on an annual basis, regardless of Congress' actions. As such, states with active New Markets credits get great preference in the applications over those without programs. Missouri's program is the oldest and first to sunset. The state should assure that the sunset is extended to remain competitive for the federal funds when they are made available.

Although we believe that we get excellent pricing and execution on the credits in terms of efficiency, Advantage Capital Partners does support the Commission's finding that a minimum floor should be considered for the credits.

Although the Missouri New Markets Tax Credit program is both efficient and cost-effective, I would recommend the following changes be made:

- The law should require more frequent reporting of investments in small businesses to increase transparency
- The law should limit fees charged by CDE's to minimal levels
- The law should require that 100% of the QEI raised by a CDE be invested over the course of the program
- In certain circumstances a higher credit percentage should be allowed to enable higher risk, more venture based, investing

If we were to revise and omit any non-relevant portions of the Missouri New Markets Tax Credit program, I would advise we delete the obtuse language concerning the "applicable percentage" calculation, at it serves no practical purpose.

As always, your time and commitment to perfecting these existing programs is much appreciated and we believe can only benefit Missouri in the long run. To date, Advantage Capital Partners has invested more than $228 million in Missouri New Markets funding into nearly 60 small businesses throughout the state resulting in the creation of thousands of jobs, and supporting thousands more. We strongly believe the prolongation of the Missouri New Markets Development Program will continue to drive capital into low-income communities and foster small businesses that would have otherwise struggled to stay open were it not for the support of this existing program.

We strongly recommend continuance of the Missouri New Markets Development Program and are happy to answer any questions/provide further testimony/etc if so desired in your upcoming commission review.

Sincerely,

Jeffrey Craver

Sent via email

Hemenway, Sallie

From: John Mehner [jmehner@capechamber.com]
Sent: Monday, October 15, 2012 3:46 PM
To: Hemenway, Sallie
Subject: Tax Credit Reform

Sallie:

Unless I wrote a novel, I would not be able to say all I'd like to say about tax credit reform. I am okay with the first set of recommendations from the group. If anything, they should have even tighter caps on Historic and Low Income. I am not okay with the lack of action on this topic for years ....and years ....and years .....

Thanks for all you do. You are a tremendous asset to the state of Missouri.

JEM
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