TAX CREDIT ANALYSIS

Program Name: Quality Jobs

Department: Economic Development | **Contact Name & No.:** Brenda Horstman 751-3713 | **Date:** October, 2012

Program Category: Business Recruitment | **Type: Tax Credit** __X__ **Other (specify)** Also retention of withholding tax of new jobs

Statutory Authority: 620.1875 to 620.1890, RSMo | **Applicable Taxes:** Income tax, Bank tax, Insurance premium tax, Other financial institutions tax

Program Description and Eligibility Requirements:

For-profit and non-profit businesses except for gambling, retail trade, food and drinking places, public utilities, educational services, religious organizations, public administration, companies that are delinquent in non-protested taxes or other payments, or any company that has filed for or has publicly announced its intention to file for bankruptcy are eligible provided the average wage of the new jobs equals or exceeds the county average wage and the company offers health insurance and pays at least 50% of the premium. To qualify, the company must create a minimum number of new jobs at the project facility within 2 years.

Explanation of How Award is Computed: Entitlement __X__ Discretionary _____

The benefits of the program are the retention of 100% of the state withholding tax of the new jobs for 3 or 5 years for small/expanding businesses (20+ new jobs in rural areas and 40+ new jobs in non-rural areas); or a combination of the retention of 100% of the state withholding tax of the new jobs and state tax credits for 5 years for technology businesses (10+ new jobs) and high impact businesses (100+ new jobs), based on a percentage (from 3 to 7%, depending on the average wage of the new jobs and the amount of local incentives) of the payroll of the new jobs.

Program Cap: Cumulative $_____ (remainder of cumulative cap) $_____ Annual $_80 million_____ None _____

Explanation of cap: The cap increased from $40 million to $60 million in tax credits beginning Aug. 2008. The cap increased to $80 million beginning June 4, 2009 . Up to $3 million of the cap may be used for job retention projects approved by the Quality Jobs Advisory Task Force, with no tax credits issued after August 30, 2013. Up to $500,000 of the cap may be used for small business job retention and flood relief projects, with no tax credits approved after August 30, 2010. The tax credit maximums applying to technology and high impact business projects were removed for newly approved projects as of June 4, 2009. There is no limit on the retention of withholding taxes.

Explanation of Expiration of Authority: No tax credits shall be issued for job retention projects approved after August 30, 2013. No tax credits shall be issued for small business job retention and flood relief projects approved after August 30, 2010.

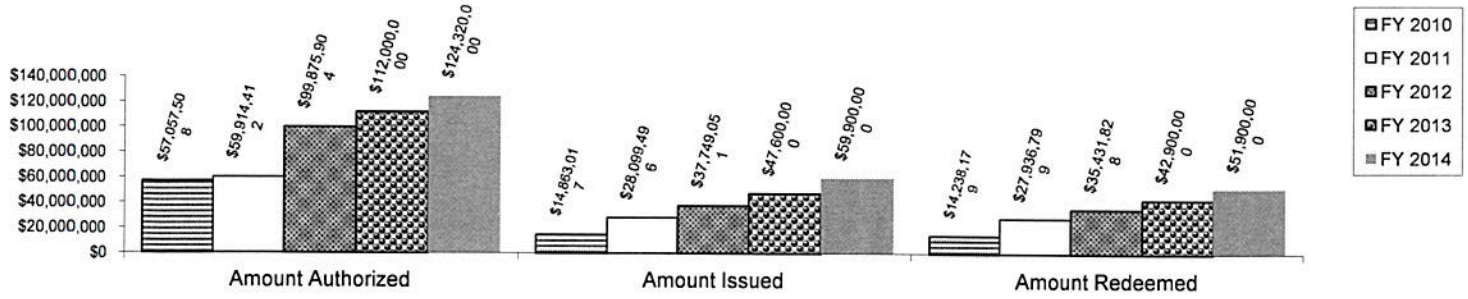
Specific Provisions: (if applicable)

Carry forward _____ years Carry Back _____ years Refundable __X__ Sellable/Assignable __X__ Additional Federal Deductions Available _____

Comments on Specific Provisions:

	FY 2010 ACTUAL	FY 2011 ACTUAL	FY 2012 ACTUAL	FY 2013 (current year)	FY 2014 (budget year)
Certificates Issued (#)	38	44	49	55	60
Projects (#)	46	57	65	75	85
Amount Authorized	$57,057,508	$59,914,412	$99,875,904	$112,000,000	$124,320,000
Amount Issued	$14,863,017	$28,099,496	$37,749,051	$47,600,000	$59,900,000
Amount Redeemed	$14,238,179	$27,936,799	$35,431,828	$42,900,000	$51,900,000
EST. Amount Outstanding	N/A	N/A	$3,134,184	N/A	N/A
EST. Amount Authorized but Unissued	N/A	N/A	$284,601,615	N/A	N/A

HISTORICAL AND PROJECTED INFORMATION



Comments on Historical and Projected Information:

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BENEFIT: COST ANALYSIS (includes only state revenue impacts)

	FY 2012 ACTUAL	Other Fiscal Period (10 years)
BENEFITS		
Direct Fiscal Benefits	$59,011,735	$354,656,994
Indirect Fiscal Benefits	$21,546,648	$129,494,066
Total	$80,558,383	$484,151,060
COSTS		
Direct Fiscal Costs	$19,975,181	$96,275,541
Indirect Fiscal Costs	$0	$0
Total	$19,975,181	$96,275,541
BENEFIT: COST	**4.03**	**5.03**

Derivation of Benefits

Investment: (a) $883,740,307 in Non-residential Spending Demand in 2012.

Employment: (a) 7,905 new jobs in Various Quality Jobs Industries at average wage rates in 2012-2021.

Other Assumptions: (a) real wage growth starting in 2013.

Incentives/Credits: (a) $99,875,904 in Authorized Quality Jobs Credits, redeemed between 2012-2016.

Impacts estimated using a REMI model for the Statewide Region. Assumptions provided by DED. The multi-year fiscal Benefit-Cost Ratio is 4.73 when other program incentives are used.

Other Benefits:

In FY-2012, every dollar of authorized program tax credits returns

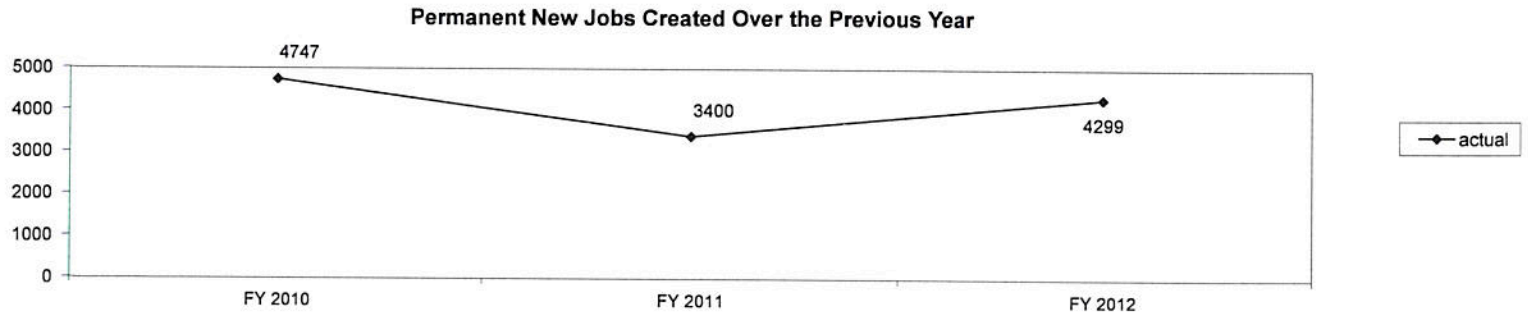
$53.77	in new personal income totaling	$1,074.01 million
$104.58	in new value-added/GSP totaling	$2,088.99 million
$188.44	in new economic output totaling	$3,764.10 million

Over 10 Years, every dollar of authorized program tax credits returns:

$101.90	in new personal income totaling	$9,810.18 million
$168.39	in new value-added/GSP totaling	$16,212.28 million
$309.45	in new economic output totaling	$29,792.79 million

Note: For Form 14 purposes, the REMI reflects the benefit-cost analysis based on projects authorized during the most recent fiscal year. The Missouri Quality Jobs Annual Report includes a benefit-cost analysis that uses verified data from required business reports where applicable, as well as anticipated data for all program years. The 2011 Annual Report provided a benefit-cost ratio of 4.16 for all projects, with a 3.26 ratio for verified projects only. Verified projects are those that submit annual reports, and DED verifies jobs and payroll through payroll records/spreadsheets.

PERFORMANCE MEASURE(S)



Comments on Performance Measure: For projects reporting in the fiscal year, this is the number of new jobs over the previous year reported.