

Legislative Update – Brian Grace / February 25, 2010

SENATE OMNIBUS ECONOMIC DEVELOPMENT LEGISLATION

The Senate Jobs, Economic Development and Local Government Committee met on Monday to craft an omnibus economic development bill. The underlying bill, SB 895, sponsored by Sen. Tom Dempsey (R-St. Peters), would establish the Missouri Science and Innovation Reinvestment Act (MOSIRA). MOSIRA, a key component of Governor Nixon's Missouri First Initiative, would create a funding source to spark growth in research and technology enterprises by capturing a small percentage of the growth in state revenue over a base year from a designated group of Missouri science and innovation companies.

The committee added the following legislation to the underlying bill:

. **SB 802** - Establishes the Proof of Concept Business Finance Program to be administered by the Missouri Technology Corporation. The program will provide one-time loans to eligible advanced technology companies which must be repaid within five years of the date of the loan in an amount equal to two times the amount of the loan.

. **SB 813** - Establishes the "Missouri Business First Act" which would allow the Director of the Department of Economic Development to authorize an increase in the amount of a tax incentive by up to an additional 10% for certain existing Missouri business expansion projects.

. **SBs 911 & 924** - Creates Show-Me Fund projects within the Quality Jobs Act in which a company may receive refundable tax credits equal to the amount of income tax withholdings for new employees over a period of five and twelve years.

. **SB 922** - 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.

Sen. Dempsey warned the committee that the bill will likely run in to stiff opposition on the Senate floor if it is not coupled with significant tax credit reform. To that end he suggested the committee add language to SB 895 that would sunset the Low Income Housing Tax Credit in one year and establish a special legislative committee to review the program and propose recommendations for improvement. Sen. Dempsey's proposal was scuttled when the committee members could not reach a consensus on whether it would be an effective method for improving the program. The committee approved the bill 7-1 without attaching any tax credit reforms. The lone vote in opposition was registered by Sen. Jim Lembke (R-St. Louis).

JOINT COMMITTEE ON TAX POLICY

Due to a biennial requirement, the Joint Committee on Tax Policy selected a new chairman and vice chairman this week. Former Vice Chairman Mike Sutherland is now the Chairman and former Chairman Brad Lager is now the Vice Chairman.

The committee also heard a presentation from Pete Ramsel, the outgoing Director of the Missouri Housing Development Commission. Director Ramsel requested an audience with the committee to recap the accomplishments made during his tenure and encourage the continued viability of the often maligned Low Income Housing Tax Credit. Ramsel is proud that he and his staff have successfully increased the amount of State funds that ultimately build low-income housing from 25 cents per dollar of credit to 40 cents per dollar. Although the State Auditor and some members of the General Assembly have criticized the program for only funding projects at a rate of 40 cents per dollar invested, Ramsel warned that a significantly higher percent of investment is not possible because the ultimate cash value of the ten-year credits is subject to the time-value of money. Ramsel explained to the committee that he has spent the past year studying best-practices used in other states in an effort to raise the cash-value of the credits. He developed a plan that he believes could raise the value to a maximum 50 cents per dollar of credit. Unfortunately, the plan, which would require approval from the IRS, proved to be too cumbersome to be completed before his tenure with the MHDC ended. Ramsel's presentation reinforced the complexity of the tax credit reform debated waging in the Missouri Senate.