

**Brian Grace – MEDC Legislative Consultant
Legislative Update – April 1, 2010**

TAX CREDIT REFORM

This week the Senate took up for consideration a sweeping tax credit reform package that was originally proposed by Department of Economic Development Director David Kerr during a Senate exercise last week to identify cost savings throughout state government. At the time, Director Kerr introduced the proposal by stating that the current use of 61 tax credits does not provide the most efficient return on the state's investment. Through his proposal, Director Kerr hopes to create a system that allows adaptation to changing economic times and prioritizes projects that create large and immediate benefits.

The tax credit reform proposal would:

1. Create a global tax credit authorization cap of 70% of 2009 redemptions (less the Circuit Breaker and Homestead Preservation tax credits) and allow for annual fluctuation consistent with General Revenue growth or decline. This would equate to \$314 million for the 2011 fiscal year.
2. Eliminate tax credit provisions of existing programs (except the Circuit Breaker and Homestead Preservation tax credits) and create six new tax credit programs; designed by purpose and funded at the levels noted in parenthesis: Business Development (\$94.2M), Redevelopment (\$78.5M), Affordable Housing (\$31.4M), Community Assistance (\$15.7M), Public Infrastructure (\$18.8M), and Financial and Insurance (\$12.6M). The remaining \$62.8 million would be placed in an "at large" fund that the Department of Economic Development would have discretion to add to the tax credit allocation of any of the six new programs.
3. Establish the Department of Economic Development as the agency that administers all tax credits.

The proposal, which was offered as an amendment by Sen. Tom Dempsey (R-St. Charles) to SB 895, ran in to trouble when Sen. Jason Crowell (R-Cape Girardeau) attempted to add language that would subject all tax credits to the legislature's annual appropriations process. Sen. Crowell stated, "The greatest check on the authority we are giving to the Department of Economic Development is to make all credits subject to appropriations." After a brief discussion on Sen. Crowell's amendment, the bill was laid over and will possibly be brought back up for debate as early as next week.

The underlying SB 895, sponsored by Sen. Dempsey, would create the Missouri Science and Innovation Reinvestment Act (MOSIRA), the Missouri Business First Act, and allow municipalities to establish Missouri Jobs for the Future Districts.

Similar legislation has been filed in the House by Rep. Steve Hobbs (R-Mexico).

TAX CREDITS FOR MAJOR SPORTING EVENTS AND CONVENTIONS

The House General Laws Committee granted approval to legislation that would authorize an income tax credit for the eligible costs of bringing a major sporting event or convention to Missouri. HB 1786, sponsored by Rep. Tim Jones (R-Eureka), is a legislative priority of the St. Louis Sports Commission. Similar legislation has been filed by Sen. Eric Schmitt (R-Kirkwood).

STREAMLINED SALES TAX

The Senate continued debate this week on SB 905, sponsored by Sen. Joan Bray (D-St. Louis). This bill would bring Missouri sales and use tax laws into compliance with the streamlined sales

and use tax agreement. The agreement allows states to collect sales taxes, primarily through internet sales, from businesses that do not have physical presence in the state. For the second time in two weeks the bill was laid over when a consensus could not be reached.