

MEDC Legislative Update – April 8, 2010
Brian Grace – MEDC Legislative Consultant

TAX CREDIT REFORM

This week the House Job Creation and Economic Development Committee held a hearing on Governor Nixon's proposal to restructure and put an overall cap on tax credits to limit their growth, in part to help fix the state's budget crisis. HB 2399, sponsored by Rep. Steve Hobbs (R-Mexico), was presented to the committee while an overflow crowd spilled out of the committee room and into its surrounding hallways.

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 Governor Nixon's 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 Missouri National Education Association testified in support of the reform proposal under the argument that a dollar spent on tax credits is a dollar unavailable for education funding.

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. The "at large" fund would be subject to the legislature's annual appropriations process.
3. Establish the Department of Economic Development as the agency that administers all tax credits.

Several committee members, led by Rep. John Diehl (R-Town and Country) spent more than an hour inquiring of Director Kerr in an attempt to expose weaknesses in the proposal. The general tone of many of the committee members mirrored recent statements by House Floor Leader Steve Tilley (R-Perryville) that the reform package will not gain any traction in the House of Representatives.

Much of the overflow crowd was comprised of senior citizen residents of affordable housing developer Jeffrey E. Smith properties in Liberty and St. Peters, Missouri. The senior citizens were concerned that a reduction in affordable housing tax credits would mean an increase in their rent costs. Most of the opposition voiced at the hearing was from the entities concerned with adjustments to either Affordable Housing or Historic tax credits, including: Missouri Workforce Housing Association, Partnership for Downtown St. Louis, City of St. Louis, Missouri Growth Association, Missouri Coalition for Preservation and Economic Development, Builders Association of Kansas City, Carpenters' District Councils of Greater St. Louis and Kansas City, Gardner Capital, a historic preservation consultant, and a St. Louis area developer, electrical contractor, plastering contractor, and two general construction companies.

The YMCA State Alliance, Missouri Coalition of Children's Agencies, Missouri Coalition Against Domestic and Sexual Violence, and Missouri Budget Project all voice opposition to the proposed changes to the Neighborhood Assistance Program and Youth Opportunities Program tax credits.

General opposition to the proposal was also voiced from U.S. Bancorp, Missouri Association of Realtors, Missouri Bankers Association, and the St. Louis Regional Chamber and Growth Association.

The Missouri Chamber of Commerce and Industry testified for informational purposes only because they have not yet determined whether the good in the bill outweighs the bad. They support language in the new Business Development tax credit that would allow the state to frontload incentives to job-creating projects, but they oppose language that would subject "at large" tax credit fund to the legislature's annual appropriations process.

MANUFACTURING JOBS ACT

This week the Senate Jobs, Economic Development and Local Government Committee held a hearing on HB 1675, sponsored by Rep. Jerry Nolte (R-Gladstone). This bill would establish the Manufacturing Jobs Act, which would provide incentives for qualified suppliers or manufacturing facilities that create or retain Missouri jobs. Although the incentive could benefit manufacturers or suppliers throughout the state, it originated as an attempt to convince the Ford Motor Company to install a new production line in its Claycomo, Missouri assembly facility. Not surprisingly, an outpouring of support was voiced from Kansas City-area interests, including: the Kansas City Area Development Council, Kansas City Economic Development Corporation, Greater Kansas City Chamber of Commerce, Kansas City Councilwoman Deb Herman, Village of Claycomo, North Kansas City School District, Clay County Economic Development Corporation, United Auto Workers Local #249, Liberty Mayor Greg Canuteson, Kansas City Power & Light, and an Excelsior Springs, MO Ford dealer.

Support for the measure was also presented by Associated Industries of Missouri, Missouri Economic Development Council, AFL-CIO, National Federation of Independent Business, Missouri Chamber of Commerce and Industry, and the St. Louis Regional Chamber and Growth Association.

In an interesting and unexpected appearance, Missouri Right to Life testified against the bill because they believe the existing definition of a "qualified manufacturing facility" could be interpreted to allow a company conducting embryonic stem cell research to qualify for the incentive.

Mike Downing, Deputy Director of the Missouri Department of Economic Development, testified for informational purposes to inform the committee that the department is concerned that the program would be too costly (it currently has a \$35 million cap) and lacks sufficient definitions and procedures for responsible administration of the program. Downing was very clear that the Nixon Administration supports a legislative attempt to continue the viability of the Ford Motor Company's facility in Claycomo, Missouri.