

Legislative Update – May 7, 2010

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Tax Credit Reform

Sen. Brad Lager (R-Savannah) released details this week of a revised tax credit reform proposal he and other members of the Senate have been crafting with the Nixon Administration. The new plan scraps a previous proposal from Governor Nixon to cap the annual cost of most tax credits at \$314 million with the creation of six general tax credit categories.

The new plan calls for the annual authorizations of most tax credits to be capped at \$370 million. Tax credit authorizations for impacted programs totaled \$622 million in 2009. This proposal would not affect the caps of property tax credits for senior citizens, Homestead Preservation, Distressed Areas Land Assemblage, or New Market tax credits.

Movement on the new proposal is expected in the Senate early next week. The 2010 legislative session ends next Friday, May 14.

Under the new proposal, changes would include:

- . Makes 49 of the 61 existing tax credit programs subject to appropriations from the legislature.
- . Reduces the cap on Historic tax credits from \$140 million to \$75 million.
- . Creates a new cap on Low Income Housing tax credits at \$75 million. MHDC authorized \$152 million in 2009.
- . Allows for tax credit cap space to be added to Historic and Low Income Housing programs through the legislature's annual appropriations process.
- . Creates a new \$150 million global cap that covers all business development programs and allows DED flexibility to offer up front, refundable credits.
- . Incorporates several pending legislative tax credit proposals: Manufacturing Jobs Act, MOSIRA, Show-Me Fund, and Missouri First.