Tax Credit Review Commission
The Commission

- Bi-Partisan Missouri Tax Credit Review Commission created by Governor Nixon July 21, 2010.
- 27 business, community and legislative leaders
- Co-Chairs – Senator Chuck Gross, (ret.) and Steven Stogel, DFC Group, StL
- Original report provided to Governor on November 30, 2010
- Reconvened Commission September 12, 2012 to update report
- Detail found on [http://tcrc.mo.gov](http://tcrc.mo.gov)
61 Missouri tax credit programs
Significant growth in redemptions from 2010-2012 – 15.4 percent increase

General Revenue Collections & Tax Credit Redemptions

- Actual Revenues
- Tax Credit Redemptions
## Tax Credit Redemptions Compared to GR Approps (millions of $s)

<table>
<thead>
<tr>
<th>Agency</th>
<th>FY 13 Approp</th>
<th>FY 12 Redm.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elementary and Secondary Education</td>
<td>2,917.5</td>
<td></td>
</tr>
<tr>
<td>Social Services</td>
<td>1,499.4</td>
<td></td>
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<tr>
<td>Higher Education</td>
<td>850.4</td>
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<tr>
<td><strong>Total Tax Credits</strong></td>
<td><strong>629.5</strong></td>
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<tr>
<td>Corrections</td>
<td>602.5</td>
<td></td>
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<tr>
<td>Mental Health</td>
<td>602.0</td>
<td></td>
</tr>
<tr>
<td><strong>Non-Senior Tax Credits</strong></td>
<td><strong>511.9</strong></td>
<td></td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>492.1</td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>270.8</td>
<td></td>
</tr>
<tr>
<td>Judiciary</td>
<td>170.8</td>
<td></td>
</tr>
<tr>
<td><strong>LIHTC Redemptions</strong></td>
<td><strong>164.2</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Historic Redemptions</strong></td>
<td><strong>133.9</strong></td>
<td></td>
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<tr>
<td><strong>Senior Property</strong></td>
<td><strong>117.6</strong></td>
<td></td>
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<tr>
<td>Office of Administration</td>
<td>112.5</td>
<td></td>
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<tr>
<td>Statewide Leasing &amp; Property Mgmt</td>
<td>112.4</td>
<td></td>
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<tr>
<td>Revenue</td>
<td>84.9</td>
<td></td>
</tr>
<tr>
<td>Public Safety</td>
<td>62.9</td>
<td></td>
</tr>
<tr>
<td>Elected Officials</td>
<td>49.6</td>
<td></td>
</tr>
<tr>
<td>Public Debt</td>
<td>45.2</td>
<td></td>
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<tr>
<td>Economic Development</td>
<td>36.6</td>
<td></td>
</tr>
<tr>
<td>Public Defender</td>
<td>36.3</td>
<td></td>
</tr>
<tr>
<td>All Other (Agric, Nat Res, etc)</td>
<td>67.9</td>
<td></td>
</tr>
</tbody>
</table>
Top 10 Tax Credit Programs Measured by FY12 Authorizations
Top 10 Tax Credit Programs Measured by FY12 Redemptions
The Commission’s Committees

- Global Issues (Chair, Senator Gross)
- Agriculture and Environment
- Distressed Communities
- Economic Development (Co-Chairs Jim Anderson and Pete Levi)
- Historic Preservation
- Low Income Housing
- Property Tax Credit
- Social Contribution Programs
- Tax Law
Global Issues Committee Topics

- Tax credits and the annual appropriations process
- Sunsets
- Caps
- Carry forward and carry back features
- Measuring ROI
- Limits (cost per beneficiary)
- Clawbacks
Economic Development Committee Topics

- BUILD
- Business Facility (Headquarters)
- Development Tax Credit
- Enhanced Enterprise Zone
- Film Tax Credit
- MDFB Bond Guarantee
- MDFB Infrastructure
- Missouri Quality Jobs
- Incubator Tax Credit
- Rolling Stock Tax Credit
The role of incentives in Business Development
But/for
Priority of measurable job growth and capital investment
A proportional relationship to the industry sectors
Seamless response in real business time
“Guiding principals” for use in the development of any incentive tool
2010 Commission
Key Recommendations

- Eliminate or do not reauthorize 28 tax credits
- Improve the efficiency of 30 tax credit
- Do not subject tax credits to appropriations
- Impose an annual cap on all tax credit programs
- Recommend changes to federal and state tax law that impact the efficiency of tax credit programs
- Develop a voluntary buyback or exchange of tax credits to reduce state liability
Economic Development Recommendations

- Independent program recommendations
  - Lower minimum thresholds for BUILD
  - Add a discretionary component to Quality Jobs to allow for up-front financing
  - Lower the job threshold for Quality Jobs
  - Add a capital investment credit to Quality Jobs
  - Add a discretionary component to EEZ to allow for up-front financing
  - Amend the definition of distressed communities to allow more EE Zones
Economic Development Recommendations

- Reduce the value of the MDFB contribution credit from 50% to 35%
- Convert the Incubator Tax Credit to a grant program
- Create a more efficient Development Tax Credit
- Expand the eligibility of the Business Facility Tax Credit
- Eliminate the Film Tax Credit program
- Eliminate the Rolling Stock Program
- Create a new Angel Tax Credit Program
Economic Development Recommendations

- Create a unified tax credit program from existing economic development tax credit programs that:
  - Requires a positive ROI within a defined time period
  - Uses both withholdings and a refundable tax credit
  - Uses both entitlement and discretionary features
  - Creates an up-front funding mechanism
  - Is capped
Economic Development Recommendations

- Allows additional benefits for targeted industries
- Extends benefits to jobs and capital investment
- Creates benchmarks for eligibility
- Creates a but/for financial test
- Allows retention
Several bills introduced from TCRC recommendations
No significant legislation passed
House and Senate differences centered around sunsets and caps on Historic and Low Income Housing
Several bills introduced the “unified tax credit program” – Compete Missouri, Missouri Works
Key 2012 Recommendations

- Both a Majority and Minority Report (8 members) filed December 15, 2012
- Majority report recommendations:
  - Reaffirms findings in 2010 report except:
    - Changes sunsets to periodic reviews
    - Creates transition rules prior to credit elimination
    - Recommends statutory language to deal with related party transactions
    - Recommends statutory language to require bidding and procurement
Key 2012 Recommendations

- Addresses stacking of credits as they relate to Historic, Low Income and Brownfield
- Historic cap at $90M instead of the $75M recommended in 2010
- Recommends Low Income at $115M over 10 years
- Changes Film Tax credit elimination recommendation to a recommendation to allow it to expire in 2013.

- Minority Report takes issue with:
  - New Historic cap
  - Low Income expressed over 10 years not 5
  - Removal of the sunset recommendation
## Estimated Savings

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<tbody>
<tr>
<td>Applying 2010 Recommendations</td>
<td>$266,597,705</td>
<td>$130,170,990</td>
<td>No 10 year credit was recommended in 2010.</td>
</tr>
<tr>
<td>Applying 2012 Recommendations</td>
<td>$231,594,705</td>
<td>$95,170,990</td>
<td>$70,404,457</td>
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</tbody>
</table>
Questions?

Thank you!
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573-694-8985 cell