

HCS HB 2393 -- TAX INCENTIVES FOR BUSINESS DEVELOPMENT (Richard)

COMMITTEE OF ORIGIN: Special Committee on Job Creation and Economic Development

This substitute authorizes an income tax credit for mega-projects and changes the manner in which property taxes are assessed on property located near the Kansas City International Airport.

TAX CREDITS FOR MEGA-PROJECTS

The substitute allows a taxpayer to receive an income tax credit for a mega-project. The tax credit will be equal to a percentage of the taxpayer's payroll. No mega-projects can be approved after December 31, 2008. The department cannot issue any tax credits for mega-projects prior to July 1, 2010, and no more than \$40 million can be issued annually for all mega-projects or to any single taxpayer.

"Mega-project" is defined as any manufacturing or assembling facility approved by the Department of Economic Development for construction and operation that is located within an enhanced enterprise zone and which:

- (1) Projects new capital investment in excess of \$300 million over an eight-year period from the date the project is approved by the department;
- (2) Projects that the number of new jobs will exceed 1,000 over an eight-year period from the date the project is approved by the department;
- (3) Pays an average wage for new jobs that exceeds the county average wage;
- (4) Offers health insurance to all new employees and pays at least 80% of the premiums; and
- (5) Provides an acceptable plan to repay the mega-project's tax credits to the state.

The taxpayer may submit an application to the department for approval of a mega-project. The department may approve an application if certain specified criteria are met. Prior to final approval of an application, a binding contract must be executed between the taxpayer and the department. The substitute specifies the contract's requirements.

Records and documents relating to the proposed mega-project will be deemed closed until the application has been approved;

however, information containing business plan information which may endanger the competitiveness of the business will remain closed.

Upon the application's approval, tax credits will be issued annually for up to 22 years from the commencement of the mega-project's commercial operations and may be extended beyond the life of the enhanced enterprise zone. Tax credits will be equal to the following percentages of annual payroll for the new jobs located at the mega-project:

- (1) 80% for the first three years that tax credits are issued for the mega-project;
- (2) 60% for the next two subsequent years;
- (3) 50% for the next two subsequent years;
- (4) 30% for the next two subsequent years; and
- (5) 25% for all subsequent years.

These tax credits may be claimed against income taxes in Chapter 143, RSMo, excluding withholding taxes. The credits are redeemable; however, owners of these tax credits are not required to have any Missouri income tax liability in order to redeem the credits and receive a refund. The credits may be sold or transferred but cannot be carried forward past the year of issuance.

Taxpayers who are issued these credits must provide an annual report to the department and cannot also receive tax credits under the New or Expanded Business Facility Program, Enterprise Zones Program, Relocating a Business to a Distressed Community Program, or Quality Jobs Program. If the department determines the average wage is below the county average wage or the taxpayer has not maintained the employee health insurance as required, the taxpayer will not receive tax credits for that year.

Any action brought in any court contesting the approval of a mega-project and the issuance of tax credits or taking any other action related to the mega-project must be filed within 90 days of the department's approval of the mega-project.

Taxpayers who receive these credits are prohibited from employing certain individuals within five years of the department's approval of the mega-project. These individuals include:

- (1) Any elected Missouri public official holding office as of January 1, 2008;

(2) Any director, deputy director, division director, or employee directly involved in negotiations between the department and the taxpayer regarding the mega-project who was employed by the department as of January 1, 2008; or

(3) Any relative, within the second degree of consanguinity or affinity, of any of these individuals.

More than five years after the department's approval of the mega-project, the taxpayer must disclose in its annual report the names of certain employees. These employees include:

(1) Anyone who has ever been an elected Missouri official;

(2) Anyone who has ever been a director, deputy director, division director, or employee directly involved in negotiations between the department and the taxpayer regarding the mega-project; and

(3) Anyone who is a relative, within the second degree of consanguinity or affinity, of any of these individuals.

PROPERTY TAX ASSESSMENT ON PROPERTY NEAR THE KANSAS CITY INTERNATIONAL AIRPORT

The substitute specifies that the true value in money for assessment purposes of any possessor interest in real property located on or within the ultimate airport boundary shown by a federal airport layout plan of the Kansas City International Airport will be the true value in money of the possessor interest in the real property less the total costs paid toward any new construction or improvements completed on the property after January 1, 2008, if included in the possessor interest, unless paid by the political subdivision, regardless of the year the costs were incurred.