



# Missouri Tax Credit Review Commission

September 2012



# Missouri Tax Credit Review Commission

- Formed in July 2010 by Governor Nixon
  - Charged with reviewing the State's 61 tax credit programs and making recommendations for greater efficacy and return on investment.
  - Adopted "do no harm" principle to avoid disturbing projects already underway
    - All recommendations prospective only.



# TCRC Committees

- Global Issues
- Agriculture and Environment
- Banking and Insurance
- Distressed Communities
- Economic Development
- Historic Preservation
- Low Income Housing
- Property Tax Credit
- Social Contribution Programs
- Tax Law



# Public Hearings & Meetings

- Public hearings in St. Joseph, Joplin, Cape Girardeau, St. Louis, and Columbia.
  - 24 hours+ of testimony, nearly 100 witnesses
- Committees met throughout Sept., Oct., and Nov. 2010.
- Full Commission met in Oct. and Nov.
- Minutes, transcripts, submissions and data on <http://tcrc.mo.gov>



# 2010 Report

- Issued November 30, 2010
  - Global and credit-specific recommendations.
  - Estimated savings of \$220 million annually.



# 2010 Recommendations

- Periodic review and reauthorization of programs, rather than an annual appropriation process.
- Impose clawbacks for all programs.
- Monitor projects for cost-reasonableness and cost-per unit/beneficiary.
- Eliminate or reduce carryforwards/carrybacks.
- Modify state/federal law to reduce negative federal tax consequences from use of tax credit.
- Develop voluntary buy-back/exchange of credits.



# 2010 Recommendations

- Impose or lower annual program caps
  - Historic Preservation
    - Lower to \$75M from \$140M
  - Low-Income Housing
    - Lower to \$16M/yr for a 5-year credit
  - Brownfield Remediation
    - Impose an annual cap of \$25M
  - Neighborhood Preservation
    - Lower to \$12M from \$16M
- Eliminate Property Tax Credit for renters
- Eliminate or consolidate 28 programs.
- Improve efficiency and return on investment for 30 other programs.



# 2010 Recommendations

- **Economic Development Tax Credits**
  - Provide economic development incentives that:
    - Generate a positive return on investment
    - Reward high-paying jobs in targeted industries
    - Consider local participation
    - Provide flexibility, simplicity, broad applicability
    - Offer up-front financing
    - Include entitlement and discretionary components
  - Improvements to existing programs OR
  - Enact unified economic development incentive
  - Enact an Angel Tax Credit





# 2010 Recommendations

- **Social/Contribution Tax Credits**
  - Reduce credit percentages from 70% to 50% and 50% and 35%.
  - Increase donor pool with broader definition of taxpayer, transferability (with 10% transfer charge) and higher contribution limits.
  - Specific recommendations for Special Needs Adoption, Food Pantry, Family Development, Healthcare Access Fund, small programs.



# 2010 Recommendations

- **Distressed Communities**
  - Improvements to Brownfield Remediation and Neighborhood Preservation programs
- **Agriculture & Environment**
  - Improvements to Qualified Beef, Alternative Fuel Stations, New-Gen/Ag. Product, Family Farm Breeding Livestock programs.



# 2010 Recommendations

- **Historic Preservation**
  - Reduce annual cap from \$140M to \$75M, with transition rule;
  - Reduce cap on non-income producing single-family owner occupied to \$50,000, and exclude where purchase price exceeds \$150,000;
  - Prohibit stacking with other programs;
  - Prohibit tax credits from being issued on expenses that have not been paid.



# 2010 Recommendations

- Low-Income Housing
  - Reduce credit term from 10 to 5 years;
  - Cap 9% credit at \$16M million per year over 5-year term (with state tax law change);
  - Eliminate 4% credit;
  - Allow credits beginning when the first unit of low income housing is leased;
  - Encourage additional due diligence by MHDC.



# Impact of TCRC Report

- 2011 Legislative Session
  - Co-Chairs present report to legislators
  - Legislation in both chambers
  - House Bill 116
- 2011 Special Session
  - Senate Bill 8
- 2012 Legislative Session
  - Legislation introduced
  - Late attempt at tax credit reform coupled with reauthorization of social/contribution credits



Questions?