

## MEMORANDUM

**TO:** St. Joseph Area Legislative Partnership

**FROM:** Mark Rhoads and Trent Watson

**RE:** Legislative Report

**DATE:** February 18, 2011

### *In the news...*

- This week, the Missouri House backed St. Louis Mayor Francis Slay's desire to control the St. Louis police department. Currently the St. Louis Police Board is comprised of the mayor and four individuals appointed by the Governor. The State has controlled the department since the Civil War era and this debate and battle over control has been waged for years. The bill still needs a final vote in the House before being shipped to the Senate.
- This week, the Senate passed and sent to the House a measure that mandates the showing of photo identification to vote. Opponents to the measure discussed the possibility of retinal scans and fingerprinting, but to no avail. The bill passed along party lines (26-7).
- State Auditor Tom Schweich announced this week two new programs in his office. He is establishing a "rapid response team" that would investigate and preserve evidence relating to possible fraud, violations of state or federal laws, mismanagement and the risk of loss of confidence in government. The second program is charged with following up on problems identified in audits to make certain that corrective actions are taken. Schweich also announced this week that his office will conduct a review of operating procedures utilized by the 183 license fee offices in the state.
- Comedian Jay Leno took a shot at State Senator Jane Cunningham's legislation to lessen restrictions on Missouri's child labor law. Leno: "Why should the ten-year olds in China be getting all the good factory jobs?"
- The House Transportation Committee passed legislation this week to require all drivers' tests to be offered in English only. Currently, the state offers the tests in 11 languages.
- The House Utilities Committee conducted a hearing on HB 124, legislation that would permit Ameren to charge its ratepayers for costs relating to obtaining an Early Site Permit (ESP) from the federal government. An ESP is a first step toward construction of a second nuclear generation plant in Calloway County. The measure attracted a standing room only crowd that was evenly divided between proponents and opponents. The committee took no action on the measure.

### *Floor Action*

**SENATE PERFECTS AND THIRD READS PHOTO ID LEGISLATION:** This week, the Missouri Senate Perfected SB 3, sponsored by Senator Bill Stouffer (R-Napton). The bill was took on several amendments relating to persons who have their drivers' licenses confiscated following arrest or summons for traffic ticket; provisions relating to voter registration drives and solicitors; and language that mandates that the state or any agency of the state shall provide at least one form of documents required to obtain the personal identification required to vote at no cost to any otherwise qualified voter who does not already possess such documents and who desires the documents in order to obtain an identification to vote. SB 3 has now been referred to the Senate Ways and Means and Fiscal Oversight Committee voted the bill out "do pass". The fiscal note estimates zero impact on state general revenue funds in 2012; \$0 – or less than \$2,931,745 in 2013; and \$0 - \$1,729,885 in 2013. On Thursday, the Senate gave final approval to the bill by a party line vote of 26 – 7.

**CORPORATE FRANCHISE TAX:** The Senate Third Read and Passed SCS SB 19 sponsored by Sen. Schmitt (R-St. Louis) Do Pass. **SCS SB 19** would gradually reduce the corporate franchise tax rate over a 5 year period until it is completely phased-out. Effective January 1, 2016, no corporate franchise tax will be imposed. **SCS SB 19** was Third Read and Passed by a vote of 28Y and 4No.

### *Committee Action*

**RIGHT TO WORK:** This week the Senate Committee on General Laws met in executive session and voted SB 1 sponsored by Sen. Ridgeway (R-Clay) Do Pass. **SB 1** Employers are barred from requiring employees to become or refrain from becoming a member of a labor organization or pay dues or other charges required of labor organization members as a condition of employment. Employers who do so commit a class C misdemeanor. Prosecuting attorneys and the Attorney General are charged with investigating complaints.

**STREAMLINE SALES TAX:** This week the House Committee on Tax Reform held a hearing on HB 278 sponsored by Rep. McNeil (D-St. Louis). This bill requires the Department of Revenue to establish the necessary rules to implement the compliance provisions of the multistate Streamlined Sales and Use Tax Agreement.

Twenty-four other states are working under streamlined sales and use tax agreement. A representative from one of those states - Iowa -spoke on behalf of HB 278 before the committee. Christopher Rants, a former speaker of the Iowa House, said that his state has benefitted greatly from enacting this type of tax policy. In tough budget time, he said "we can no longer ignore a loss in sales tax revenue." Rants cited a University of Tennessee study that found, in Missouri, there is nearly \$430 million in sales tax revenue owed that is not currently being collected. Scott Peterson of the Streamlined Sales Tax Governing Board, which oversees the programs being implemented in the 24 states, said that HB 278 does not make any major changes in the tax structure, but rather enforces tax collections that should already be happening under current law. Also testifying in favor of the legislation was David Campbell, founder of Fedtax.net. His company is a certified service provider for companies needing to keep track of these types of

internet transactions. Campbell said that it is unfair for local merchants to be required to pay taxes that remote merchants do not.

Others speaking in support of HB 278 were: Missouri Retailers' Association; Missourians for Fair Taxation; St. Louis County Municipal League; Missouri Budget Project; Children's Leadership Council; Jeremy LaFaver, Missouri Partnership for Children; Jerry Hollingsworth, Alderman of St. Peters.

**DATA STORAGE CENTERS:** This week the Senate Committee on Jobs, Economic Development and Local Government held a hearing on SB 217 sponsored by Sen. Richard (R-Jasper). This act provides state and local sales and use tax exemptions for all machinery, equipment, computers, electrical energy, gas, water and other utilities including telecommunication services used in new data storage centers. The act also provides a state and local sales and use tax exemption for purchases of tangible personal property for the construction, repair, or remodeling of a new data storage center. In order to receive the sales tax exemption provided for new data storage centers, an application must be made to the Department of Economic Development for certification. Such application must show that the project will result in at least five million dollars of new facility investment over a three year period. The act also creates a state and local sales and use tax exemption for existing data storage centers for all machinery, equipment, computers, electrical energy, gas, water and other utilities including telecommunication services. The exemption will only apply to the increase in expenditures for utilities over the previous year's expenditures. The exemptions for tangible property will be available only on the increase in expenditures over the average of the previous three years expenditures. In order to receive the sales tax exemption provided for existing data storage centers, an application must be made to the Department of Economic Development for certification. Such application must show that the project will result in at least one million dollars of new facility investment over a one year period.

The Department of Economic Development and the Department of Revenue are authorized to conduct random audits to ensure compliance with the requirements for state and local sales and use tax exemptions authorized under the act. Testifying in support was Nappa Complex, Missouri Association of Data Centers, Missouri Telecommunications Association, K C Economic Development Council, Clay County Economic Development Council, City of Branson, RGCA, Greater KC Chamber of Commerce, KCP&L, Electric Cooperatives of Springfield, Cerner Corporation, Associated Industries of Missouri, Missouri Chamber of Commerce. There was no opposition and the committee took no further action.

**EARLY STAGE COMPANIES:** This week the Senate Committee on Jobs, Economic Development and Local Government held a hearing on SB 246 sponsored by Sen. Lamping (R-St. Louis). This act allows the Department of Economic Development, subject to appropriation, to authorize tax credits encourage equity investment in technology-based early stage Missouri companies, commonly referred to as angel investments. Investors who contribute the first five hundred thousand dollars in equity investment to a qualified Missouri business may be issued a tax credit if the qualified Missouri business ceases to do business due to liquidation, winding up, cancellation, or dissolution within six years of the date of investment. Annual authorizations of the tax credits will be limited to the lesser of the amount appropriated by the general assembly or five million dollars. The tax credits will be equal to thirty percent of the investment. Investors are

prohibited from receiving more than fifty thousand dollars in tax credits for a single investment or more than one hundred thousand dollars for investments in more than one qualified business per year. Tax credits for equity investment in technology-based early stage Missouri companies may be carried forward for up to three years or transferred.

Testifying in support was RCGA, Center for Emerging Technologies, Mo-Bio, AIM, Missouri Chamber of Commerce, Greater KC Chamber of Commerce, University of Missouri System.

Opposition: none. The committee took no further action.

**PROOF OF CONCEPT:** This week the Senate Committee on Jobs, Economic Development and Local Government held a hearing on SB 248 sponsored by Sen. Parson (R-Polk). This act establishes the proof of concept business finance program to be administered by the Missouri Technology Corporation. The program will provide one-time loans to eligible advanced technology companies which must be repaid within five years of the date of the loan in an amount equal to two times the amount of the loan. Early repayment will result in a proration of the repayment amount. No more than one million two hundred fifty thousand dollars will be made available for loans to advanced technology companies each fiscal year. Loans made under the program cannot exceed seventy-five thousand dollars per eligible advanced technology company and must be leveraged dollar-for-dollar by additional equity investment in the company. Loan proceeds may be used by eligible advanced technology companies for intellectual property development, building prototypes, market studies, identifying and securing a management team, and business operations. Testifying in support were RCGA, AIM, Cortec, CDT, Missouri Chamber of Commerce, Greater KC Chamber of Commerce, University of Missouri System. Opposition: Missouri Right to Life. The committee took no further action.

**QUALIFIED RESEARCH EXPENSE TAX CREDIT:** This week the Senate Committee on Jobs, Economic Development and Local Government held a hearing on SB 252 sponsored by Sen. Kehoe (Cole). This act modifies provisions of law which authorize a tax credit for qualified research expenses. The tax credit is limited to research expenses incurred in the research and development of agricultural biotechnology and plant genome products, and prescription pharmaceuticals consumed by animals. The act modifies the time-line for application and issuance of tax credits under the program. Under current law, no qualified research expense tax credits may be approved, awarded or issued after January 1, 2005. This act removes the prohibition on approval and issuance of tax credits and increases the annual tax credit cap from nine million seven hundred thousand to ten million dollars. The director of the department of economic development may allow taxpayers to transfer, sell, or assign up to forty percent of tax credits between January 1, 2011 and December 31, 2017, provided such taxpayer files an application providing certain information regarding such transfer. In the event the amount of claims for tax credits exceed the annual cap, the act provides a method for pro rating issuance of tax credits. Testifying in support: Mo-Bio, AIM, Medica, RCGA, Missouri Chamber of Commerce, and Greater KC Chamber of Commerce. There was no opposition and the committee took no further action.

**MISSOURI QUALITY JOBS ACT:** This week the Senate Committee on Jobs, Economic Development and Local Government held a hearing on SB 189 sponsored by Sen. Schmitt (R-St. Louis). This act modifies provisions of the Missouri Quality Jobs Act to allow projects located within dormant manufacturing plant zones to receive benefits under the program. A project

located within a dormant manufacturing plant zone will be capable of receiving benefits as a small and expanding business project if it creates at least ten jobs with an average wage for the new payroll equal to or in excess of eighty percent of the county average wage. The wage requirements for eligibility to receive benefits as a "technology business project" or "high impact project" are also modified to allow dormant manufacturing zone projects to receive benefits if the payroll for the new jobs created equals or exceeds eighty percent of the county average wage. Testifying in support: St. Louis County Economic Council, Mayor of Fenton, Missouri Chamber of Commerce, AIM, Chrysler Economic Development Strategy, RCGA. No one testified in opposition and the committee took no further action.

**FAIR TAXATION:** This week the House Committee on Tax Reform held a hearing on HJR 8 sponsored by Rep. Koenig (R-St. Louis). This resolution is commonly known as the Fair Tax proposal. It would propose a constitutional amendment to replace the individual and corporate income tax, corporation and bank franchise taxes, and sales and use tax with a fair sales tax on certain property and services. Rep. Koenig believes HJR 8 would streamline Missouri's tax policy, and create a more attractive place for people and businesses to locate. He said under this legislation, every Missourian would have a higher take-home pay and the opportunity for tax fraud would decrease. Rep. Koenig cited a report that says the tax-fraud rate is 15 to 17 percent federally. Other specifications of HJR 8, which Rep. Koenig described, were that the state sales tax level would be capped at 7 percent and families would receive a sales-tax rebate to help ease the burden on the increased rate. Proposed exemptions to the increased sales tax rate would be business-to-business transactions, insurance, education, gasoline and donations to charities. Rep. Rory Ellinger, D-University City, asked Rep. Koenig what his true intent was with the legislation and his response was "to make this a more business friendly state."

Testifying in favor of the HJR 8 were: Fred Berry, resident from Columbia, Mo.; Ed Emery, former Missouri House Representative; Carl Bearden, United for Missouri; Rob Hillman, Republican Liberty Caucus - Missouri; and a former small-business owner.

Jim Moody, on behalf of Missourians for Fair Taxation, testified in opposition to HJR 8. Moody believes there are three main questions that should be asked about the proposal: What is taxed? What are the rates going to be? What will be exempted? According to Moody, analyzing those questions leads to the conclusion that the major burden is going to fall on the middle class under this legislation. Moody said the expanded sales tax rate would cover items such as rent, food, utilities, child care, attorney fees and health care. In theory, Moody said, this sounds like a good proposal, but research shows that implementation will be difficult.

Also testifying in opposition were: Missouri Association of Realtors; Missouri Budget Project; Missouri Retailer's Association; Missouri Municipal League; Greater Kansas City Chamber of Commerce; Missouri Partnership for Children; Missouri Catholic Conference; Missouri National Education Association; and Missouri Society of CPA's. There were no other witnesses, and the hearing was adjourned.

**CORPORATE AND INDIVIDUAL INCOME TAX EXEMPTION:** This week the Senate Jobs, Economic Development and Local Government Committee met in executive session and voted SB 146, sponsored by Senator Schmitt (R-St. Louis) Do Pass. This act creates a corporate income tax exemption for business income and phases it in over a five-year period. For the 2011 tax year, corporations will be allowed to exempt ten percent of business income from corporate income tax. Once fully phased-in, corporations will be allowed to exempt fifty percent of

business income from corporate income tax for the 2015 tax year and all subsequent tax years. The act also creates an individual income tax deduction for business income and phases it in over a five-year period. Taxpayers will be allowed to deduct ten percent of business income for the 2011 tax year and, once fully phased-in, will be allowed a fifty percent deduction for all tax years after the 2014 tax year. Shareholders of S corporations and partners in partnerships will be allowed a proportional deduction based their share of ownership.

**UNLAWFUL DISCRIMINATORY PRACTICES:** The House Committee on Workforce Development and Workplace Safety met in executive session and voted HB 205 sponsored by Rep. Elmer (R-Christian) Do Pass. The committee approved a House Committee Substitute for House Bill 205, which deals with employment law practices. It was agreed do-pass in a vote of 6 to 4.

**PUBLIC CONTRACTS:** The House Committee on Workforce Development and Workplace Safety held a hearing on HB 319 sponsored by Rep. Fisher (R-Bates). HB 319 seeks to change the laws regarding contracts for public construction projects that are funded - in any amount - with public funds. Rep. Fisher discussed similar legislation that was passed several years ago, known as the "Fairness in Public Construction Act," that attempted to level the playing field for non-union employers in the construction bidding process. Since the projects are being paid for with taxpayer dollars, supporters believe every option should be explored in order to save money. Speaking in favor of the legislation were: Associated Builders and Contractors; Associated General Contractors of Missouri; Missouri Chamber of Commerce and Industry; and Associated Industries of Missouri. Herb Johnson, Missouri AFL-CIO spoke in opposition to HB 319. No further witnesses were present and the hearing was adjourned.

**MO SCIENCE AND INNOVATION REINVESTMENT:** The House Committee on Economic Development held a hearing on HB 468 & 468 sponsored by Rep, Diehl (R-St. Louis). This bill establishes the Missouri Science and Innovation Reinvestment Act and the Missouri Science and Innovation Authority to create, attract, retain, expand, and enhance existing and new science and innovation companies.

<http://house.mo.gov/content.aspx?info=/bills111/bilsum/intro/sHB467I.htm>

Testifying in support: Coalition Plant and Life, Kansas City Area Life Sciences Institute, Missouri State University, Missouri Department of Economic Development, Mo-BIO, MO Chamber of Commerce, RCGA, Civic Council of Greater Kansas City, MO Growth Association, Missouri Economic Development Council, Center for Emerging Technology, Kansas City Chamber of Commerce, City of KC, Kansas City Power and Light, National Bio-Tech, Springfield Chamber of Commerce, Missouri Soy Bean Association, and Monsanto. Testifying in opposition was MRL and the Missouri Catholic Conference.

**TRANSPORTATION DEVELOPMENT DISTRICTS:** The Senate Transportation committee met on Wednesday February 16 for a public hearing on SB 49. SB 49, sponsored by Senator Robin Wright-Jones, creates special rules for the formation of transportation development districts to operate mass transportation systems. This legislation would also create an oversight board of 3-5 members that would be appointed by existing local authorities. Testifying in support was Metro, Kansas City Area Transportation Authority, and City Utilities of Springfield. There was no testimony in opposition and the committee took no action.

**YELLOW LIGHT TIMING** The Senate Transportation committee met on Wednesday February 16 for a public hearing on SB 212. SB 212, sponsored by Senator Jim Lembke, requires the department of transportation to establish minimal yellow light change interval times for traffic-control devices. Senator John Lamping stated this legislation directly relates to Red Light Cameras. Senator Lembke agreed and testified he was concerned that local municipalities were deliberately shortening yellow lights to increase the issuance of red light camera traffic tickets. Testifying in support was Missouri Department of Transportation. There was no testimony in opposition and the committee took no action.

**UNIVERSITY LAND LEASE:** The House Transportation committee met on Thursday February 17 in executive session to discuss HB 137. HB 137, sponsored by Representative Mike Thomson, removes the expiration date of August 28, 2011, from the provision which allows certain state university boards to convey or transfer real property without authorization from the General Assembly. There was no discussion and the committee voted “do pass-consent” 9-0.

**NUISANCE ABATEMENT:** On Wednesday, Rep. Pat Conway presented HB 43 to the House Local Government Committee. The bill provides additional ordinance authority to the Counties of Buchanan and Andrew to handle real property nuisances. Buchanan Commissioner Dan Houseman testified in favor of the bill detailing some of the types of nuisances that they wish to address with ordinances. Rep. Chris Molendorp, who has separate legislation for Cass County, indicated a desire to combine the bills with other related matters in a House Committee Substitute. The committee took no action on the measure.

**HEARINGS OF INTEREST:**

**House-Workforce Dev. and Workplace Safety**

**MONDAY - 02/21/11**

**12:00 PM, HR 6**

Public hearing:

HB 319	Fisher	Changes the laws regarding contracts for public construction projects which are funded in any amount with public funds.
HB 320	Fisher	Changes the laws regarding Missouri's prevailing wage as it relates to public works construction.

**House-Higher Education**

**TUESDAY - 02/22/11**

**8:00 AM, HR 6**

Public hearing:

HB 223	Wallingford	Establishes the Caring for Missourians Program within the Department of Higher Education to award grants to eligible higher education institutions to address nursing shortages.
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Executive session may be held on any matter referred to the committee.

**Bills eligible for exec:**

HB 231	Thomson	Establishes Advanced Placement Incentive Grant
HB 232	Thomson	Modifies A+ eligibility

**House-App-Education**  
**TUESDAY - 02/22/11**  
**2:00 PM, HR 1**

Markup of HB 2. Markup of HB 3.  
Executive session may be held on any matter referred to the committee.

**House-Economic Development**  
**TUESDAY - 02/22/11**  
**5:00 PM, HR 7**

**Bills eligible for exec:**

HB 467	Diehl	Establishes MO Sci & Innovation Reinvest Act
HB 468	Diehl	Establishes MO Sci & Innovation Reinvest Act

**Senate-Jobs, Eco. Devo. and Local Government**  
**WEDNESDAY - 02/23/11**  
**1:00 PM, Senate Lounge**

SB 203	Schmitt	Creates a tax credit to attract sporting events to the state.
SB 16	Lembke	Prohibits political subdivisions from using automated photo red light enforcement systems to enforce red light violations.
SB 73	Kraus	Requires political subdivisions using automated traffic enforcement systems to distribute fines to local school districts.

Executive session may follow

**Bills eligible for exec:**

SB 189	Schmitt	Relating to the quality jobs act
SB 246	Lamping	Relating to a tax credit for equity investment
SB 252	Kehoe	Qualified research expense tax credit program

**BILLS OF INTEREST:** Filed bills of Interest. (Only bills filed this week).

Holding down the "Ctrl" button and clicking the bill number will take you to the bills website.

**HB 494**      **Schupp**      Allows the Governor, with the advice and consent of the Senate, to appoint a student to the University of Missouri Board of Curators.

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**HB 519**      **Curls**      Modifies the definition of "rehabilitation" to include demolition as it relates to abandoned property.

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**HB 545**      **Schieber**      Removes certain requirements for qualifications for members of tourism community enhancement districts.

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HB 566      Denison      Establishes the Political Subdivision Construction Bidding Standards Act.

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HB 578      Thomson      Allows the state, any agency, or political subdivision to give used tires, scrap tires, or tire shred to any in-state private entity to be disposed of or recycled under certain conditions.

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SB 277      Lager            Modifies the law with respect to how municipalities and the legal system treats the lawful use of motor vehicles on public roads.

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SB 278      Munzlinger      Modifies the laws regarding certain private nuisance actions.

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SB 279      Schmitt            Provides tax incentives for job creation and retention and capital investment.

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SB 280      Purgason            Modifies provisions of Missouri tax credit programs in accordance with recommendations made by the Missouri Tax Credit Review Commission Report.

If you would like the full text of a bill or a bill summary, they will be posted at <http://www.moga.state.mo.us/> as they become available. **This report was distributed by the St. Joseph Area Chamber of Commerce with support from the City of St. Joseph, Buchanan County, Missouri Western State University, St. Joseph Convention and Visitors Bureau, and Heartland Health.**

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