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Missouri State Auditor

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS

Tax Credit Cost Controls

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YELLOW SHEET

Findings in the audit of Tax Credit Cost Controls

Tax Credit Cost Controls

Tax credit redemptions in the state of Missouri have increased from about $372 million in fiscal year 2001 to over $584 million in fiscal year 2009, an increase of 57 percent in 8 years, while net General Revenue (GR) Fund - State collections over the same time period increased from about $6.44 billion to $7.45 billion, an increase of 15.7 percent. Tax credit redemptions as a percentage of net GR Fund collections increased from 5.8 percent in 2001 to 7.8 percent in 2009.

Fiscal notes associated with legislation establishing or modifying tax credit programs do not accurately project the financial impact on the state's GR Fund collections. For 15 tax credit programs reviewed, the actual redemptions exceeded the projected long term fiscal impact by a net amount of over $1.1 billion for the 5 years ended June 30, 2009. In total, 96 fiscal note sections were associated with the 15 programs we reviewed, and 16 sections indicated the amount of impact was unknown. Since fiscal notes have not accurately projected the financial impact of tax credit programs, the General Assembly should consider increasing the use of alternative cost containment measures to better control the costs of tax credit programs.

The General Assembly has placed annual and/or cumulative limits on the amount of tax credits that may be authorized for some tax credit programs. Also, the Sunset Act, passed in 2003, provides for new programs to sunset after a period of not more than 6 years unless reauthorized by the General Assembly or the program is exempted from the Sunset Act. Eight of 18 new tax credit programs created since 2003 do not have a sunset provision. The act requires the Committee on Legislative Research to review applicable programs before the sunset dates and present a report to the General Assembly regarding the sunset, continuation, or reorganization of each affected program.

During fiscal year 2009, 53 tax credit program had redemptions totaling $584 million. The following table lists the number of tax credit programs, and the 2009 redemptions, that lacked the cost controls noted above:

Cost Control	Number of Programs Lacking Control	Amount of Redemptions (in millions)
Annual Limit	30	$ 495
Cumulative Limit	46	565
Sunset Provision	46	569

The audit also noted state agencies need to improve procedures to gather and verify information used to prepare cost benefit analyses submitted to the budget director and legislative budget committees. In each of the five most recent tax credit program audit reports issued by our office, the audits noted concerns with the cost benefit analyses state agencies submitted. In each case state agencies overstated the economic impact of the program. The overstatements were generally caused by the use of inflated amounts for activities undertaken as the result of the tax credit or inflated assumptions regarding investments made and jobs created.

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Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
Jefferson City, Missouri

We have audited the state's procedures to contain the costs of tax credit programs. The scope of our audit included, but was not necessarily limited to, tax credit program activity occurring during the 5 years ended June 30, 2009. The objectives of our audit were to:

1. Evaluate the existing procedures to estimate and control the financial impact of tax credit programs.

2. Evaluate whether fiscal notes for tax credit programs have accurately estimated future financial impact.

3. Identify methods available to better control the fiscal impact of tax credit programs.

Our scope and methodology is included in the Introductory Section.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, or violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Appendixes are presented for informational purposes. This information was obtained from the management of various agencies administering tax credit programs and the Committee on Legislative Research, Oversight Division and was not subjected to the procedures applied in our audit of Tax Credit Cost Controls.

The accompanying Management Advisory Report presents our finding arising from our audit of Tax Credit Cost Controls.

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Background

Tax credit redemptions in the state of Missouri have increased from about $372 million in fiscal year 2001 to over $584 million in fiscal year 2009, an increase of 57 percent in 8 years, while net General Revenue (GR) Fund - State collections over the same time period increased from about $6.44 billion to $7.45 billion, an increase of 15.7 percent. Tax credit redemptions as a percentage of net GR Fund collections increased from 5.8 percent in 2001 to 7.8 percent in 2009.

Based on the 63 tax credit analysis forms submitted by state agencies administering tax credit programs for the current legislative session, tax credits totaling $500.6 million have been issued but not redeemed as of June 30, 2009. The Committee on Legislative Research, Oversight Division issued a program evaluation, *Review of the State of Missouri Tax Credit Programs*, in March 2010 which reported the estimated amount of tax credits issued in previous years and not yet redeemed as of June 30, 2009, was approximately $496 million. The Joint Committee on Tax Policy compiled a report of DED administered credits as of October 1, 2009, which reported an estimated total state tax credit liability of about $2.38 billion comprised of $599.8 million tax credits issued but not redeemed, $686.9 million tax credits authorized but not yet issued, and $1.094 billion in streaming tax credits that have been authorized and will be issued as the program requirements are met. The amount reported for the streaming credits estimates only tax credits that will be issued from October 2009 through fiscal year 2014. The amounts stated in this section are based upon estimates from the agencies administering tax credit programs. The exact amount of tax credits that will ultimately be issued and redeemed is unknown due to future actions of tax credit recipients and carry forward and back features of individual programs. We did not audit the information.

Existing procedures to control the cost of tax credit programs may include the use of fiscal notes, annual and cumulative funding limits, sunset provisions, statutory expiration dates and cut-off dates, appropriations for those credits which require disbursement of state funds, and the approval of estimated tax expenditures[1] required under Section 33.282.2, RSMo.

Fiscal notes

The Oversight Division prepares fiscal notes on all bills, including bills relating to tax credit programs, pending before the General Assembly. Section 23.140, RSMo, requires the division to prepare a fiscal note on each bill introduced into either chamber of the General Assembly prior to the legislation being acted upon. Additionally, new fiscal notes are required for any changes to a proposed bill. The fiscal note shall include the following:

[1] Tax expenditures are described in the statutes as the annual reduction in revenue collections for each fiscal year as a result of each deduction, exemption, credit or other tax preference as may be authorized by law.

- The cost of the proposed legislation to the state for the next 2 fiscal years.
- Whether the proposal would establish a program or agency which would duplicate an existing program or agency.
- Whether the provisions of the proposal are federally mandated.
- Whether the proposal would have significant direct fiscal impact upon any political subdivision of the state.
- Whether any new physical facilities would be required.
- Whether the proposal would fiscally impact small businesses.

The fiscal note process begins when either Senate Research or Legislative Research forwards the bill to the Oversight Division requesting a fiscal note. The Oversight Division reviews the bill and forwards a copy to affected state agencies and local political subdivisions as required by statute. Each agency reviews the bill and determines what fiscal impact, if any, the bill will have on the agency and responds to the Oversight Division. The Oversight Division compiles all agency responses and together with its own independent research, prepares a fiscal note stating the estimated fiscal impact to state government, local governments, and small businesses. The Oversight Division prepares approximately 3,000 fiscal notes during a regular legislative session.

Limits

Some tax credit programs may have annual or cumulative limits or both. The limit is the maximum amount of tax credits that may be authorized and is generally set by statute. The General Assembly has increased, decreased, and/or established new limits for several programs. Some programs have reached the cumulative limit and no new credits may be authorized. For two programs, legislative committees were granted the authority to increase the cumulative limit. For another program, the annual limit may be exceeded with the joint agreement by the commissioner of administration and the directors of the Department of Economic Development (DED) and the Department of Revenue (DOR).

Four tax credit programs require annual appropriations. For two of those programs, the appropriation allows diversion of state income tax withholdings from the GR Fund to designated job training funds. The other two programs require an appropriation to disburse GR Fund monies to county collectors to offset monies that would have been received from property taxes or private car ad valorem taxes.

Sunset provisions and expiration dates

The Missouri Sunset Act, Sections 23.250 to 23.298, RSMo, was enacted in 2003. The Sunset Act requires certain new programs authorized into law to sunset after a period of not more than 6 years unless reauthorized. The Sunset Act only applies to new programs that include a sunset provision and a new program may be exempted from the Sunset Act. The statute requires the Committee on Legislative Research to review the applicable programs before the sunset dates and present a report to the General Assembly regarding the sunset, continuation, or reorganization of each affected program. In addition, some programs had statutory expiration dates, other programs had dates after which no additional tax credits could be authorized, and some tax credit programs have already been repealed.

Annual reporting and approval

Section 33.282, RSMo, requires departments to submit annual estimates of tax expenditures and cost benefit analyses of such expenditures to the budget director for submission to the chairman of the senate appropriations committee and the chairman of the house budget committee. If those estimates are not approved by a majority of the committees' members, no new credits, except the senior citizens property tax credit, may be issued or certified after July first of the following year. The annual estimates are submitted on forms referred to as tax credit analysis forms.

Agencies administering tax credits

There were 68 tax credit programs for which redemptions were or could have been issued and redeemed in fiscal years 2001 through 2009. Tax credit redemptions by program for fiscal years 2001 through 2009 are shown in Appendix A. The following table lists administering departments and the number of tax credit programs administered:

Department	Number of Programs
Economic Development	36
Revenue	14
Insurance, Financial Institutions and Professional Registration	4
Social Services	4
Agriculture	4
Natural Resources	3
Health and Senior Services	2
Elementary and Secondary Education	1

Scope and Methodology

To gain an understanding of how fiscal notes are prepared for tax credits, we reviewed applicable statutes and interviewed personnel involved in the fiscal note process at the Oversight Division and the DED. The DED is responsible for the majority of tax credits programs.

To establish the population of tax credit programs in operation during fiscal years 2001 through 2009 (see Appendix A), we obtained summary tax credit redemption information from the DED and the DOR. We selected 9 of the 10 tax credit programs with the highest redemption amounts for the 5 fiscal years ended in 2009 and 6 tax credits established after August 29, 2003, the effective date of the Sunset Act.

For 11 of these 15 programs, we compared actual tax credits redeemed during fiscal years 2005 through 2009 to the total projected fiscal impact.

The remaining four programs were established after 2005, and we compared the redemptions and fiscal note projections from year of establishment through 2009. To determine the projected fiscal impact on the state's GR Fund, we reviewed associated fiscal notes (net of costs related to increased administrative expenses) from the time the program was established and through the 2008 legislative session. Since fiscal notes for tax credits only include the estimated impact upon revenues for 3 years following the effective date of the legislation, we applied the third year's projected fiscal impact to future years until new legislation was passed and a new fiscal note estimate was provided. We then applied the combined estimated impact to future years. If a fiscal note cited a future rate of increase or a specific time frame only, we adjusted future impacts accordingly. If a fiscal note indicated the fiscal impact was "unknown," we used zero as the impact in our calculations. For example, the fiscal notes accompanying Senate Bill 1 of the 1997 2nd Extraordinary Session, that established the historic preservation tax credit, estimated an annual fiscal impact of $14.3 million. The only other legislation impacting this credit through the 2008 legislative session was Senate Bill 827 in 1998 and the fiscal note for that bill indicated the impact of the statutory change was unknown. Based upon our methodology, the projected fiscal impact was $14.3 million annually and $71.5 million over the 5 year period, while redemptions totaled over $637 million.

We reviewed statutory provisions, tax credit analysis forms, and program literature and held discussions with officials of agencies administering tax credit programs and the Oversight Division to identify the procedures used to contain costs applicable to the respective tax credit programs.

Appendix B shows the various limits and sunset provisions that are applicable to the tax credit programs as of June 30, 2009. This information was obtained from agencies administering tax credit programs and the Oversight Division.

We obtained aggregate totals of annual tax credit redemptions from the DOR. We were not provided detailed redemption information. The Director of the DOR denied us access due to the department's interpretation of the Missouri Supreme Court decision in the case of Director of Revenue v. State Auditor 511 S.W.2d 779 (Mo. 1974). This external impairment limited our ability to conduct work and therefore, we could not verify the completeness and accuracy of annual redemption totals.

Tax Credit Cost Controls

Fiscal notes associated with legislation establishing or modifying tax credit programs do not accurately project the financial impact on the state's GR Fund collections. In 2009, 23 tax credit programs with redemptions totaling nearly $476 million did not have an annual or a cumulative authorization limit. Only 11 tax credit programs are subject to sunset provisions. Recent tax credit program audits have shown agencies consistently overstate the economic benefit of tax credit programs. To better manage the impact of tax credit programs, the General Assembly should consider establishing limits and sunset provisions on all programs.

Fiscal notes

Fiscal notes have not accurately projected the future fiscal impact of tax credit legislation and many fiscal notes reported the fiscal impact as unknown. Actual redemptions varied significantly from the fiscal impact projected by the fiscal notes as shown in the table below:

	Fiscal years 2005 to 2009		
Tax Credit	Amount Redeemed	Fiscal Note Projection	Redeemed Above/(Below) Projection
Historic Preservation	$ 637,045,475	71,500,000	565,545,475
Missouri Low Income Housing	413,275,373	61,220,000	352,055,373
Property Tax	507,403,867	365,056,583	142,347,284
Brownfield Remediation/ Demolition	93,660,509	3,500,000	90,160,509
Enterprise Zone[1]	63,999,439	(16,780,000)	80,779,439
MDFB Infrastructure Development	119,313,170	50,000,000	69,313,170
Missouri Property and Casualty Guarantee Association	32,134,519	116,665	32,017,854
Certified Capital Companies	54,287,120	51,000,000	3,287,120
Self-Employed Health Insurance	2,768,731	0	2,768,731
Residential Treatment Agency	417,801	0	417,801
Retain Jobs	22,707,738	24,000,000	(1,292,622)
Pregnancy Resource Credit	1,515,413	4,000,000	(2,484,587)
Neighborhood Assistance	57,462,781	88,000,000	(30,537,219)
Enhanced Enterprise Zone	2,215,513	55,000,000	(52,784,487)
Missouri Quality Jobs	10,724,353	124,000,000	(113,275,647)
Total	$2,018,931,442	880,613,248	1,138,318,194

[1] For this credit, there were 16 associated fiscal note sections of which 7 indicated the impact was unknown, 2 indicated only additional administrative costs would be incurred, 3 indicated GR Fund revenues would decrease, and 3 indicated the amount of tax credits that would be issued would be lower yielding an increase in GR Fund revenues. The estimated GR Fund increases were much larger than the estimated GR Fund decreases and as a result the fiscal note projection is a negative amount.

For the 15 tax credit programs reviewed, the actual redemptions exceeded the projected long term fiscal impact by a net amount of over $1.1 billion for the 5 years ended June 30, 2009. Based upon our analysis and discussions with various officials of the agencies administering tax credit programs, there appeared to be several factors that resulted in redemptions exceeding the projected fiscal impact including 1) more businesses and or citizens participated in the tax credit program than predicted, 2) fiscal notes significantly underestimated the impact of legislative changes, 3) the amount of tax credits expected to be authorized was increased by actions of the agency administering the tax credit or state officials having authority to increase limits, 4) some fiscal notes indicated the impact was unknown, and 5) many tax credits have carry forward and carry back provisions making it very difficult to predict the timing of redemption activity.

Five tax credit programs had redemptions lower than the financial impact projected. Factors noted were 1) four programs are relatively new and participation by businesses and citizens has thus far been lower than expected, 2) for the newer tax credit programs, the estimated fiscal note impact was usually based on the annual limit proposed in the legislation, and 3) fund raising efforts by some entities authorized to seek funding for the Neighborhood Assistance tax credit program fell short, resulting in fewer than expected tax credits issued and redeemed.

The Oversight Division often indicated the fiscal impact of legislation related to tax credit programs was unknown in fiscal notes provided to the General Assembly. Section 23.140, RSMo, requires fiscal notes to include the cost of the proposed legislation to the state for the next 2 fiscal years. In total, 96 fiscal note sections were associated with the 15 programs we reviewed, and 16 sections either indicated the amount of impact was unknown, unknown but could be substantial, could not be projected, not possible to tell, or did not provide an estimated impact. For example, the Brownfield Remediation/Demolition tax credit had 5 of 7 fiscal note sections and the Enterprise Zone tax credit had 7 of 16 sections indicating the impact was unknown. There were clearly some instances in which the impact of the legislative change was not susceptible to reasonable estimation and use of unknown may have been appropriate. As noted in our scope and methodology section, we used $0 as the value of unknown in our fiscal note projections. Oversight Division and DED officials, when reviewing a draft of this report, expressed concerns that using a $0 impact for unknown overstates the amount of redemptions that exceeded fiscal note projections because an unknown amount does not equal $0. However, our point remains that the fiscal note process does not accurately forecast future costs associated with tax credit programs.

Fiscal notes have not accurately projected the financial impact of tax credit programs and only estimate the impact for a relatively short 3 year time period. As a result, the General Assembly should consider increasing the use of alternative cost containment measures to better control the costs of tax credit programs.

Limits

The General Assembly has placed annual and/or cumulative limits on the amount of tax credits that may be authorized for some tax credit programs.

As previously noted, the use of annual limits for newer programs has thus far helped to more closely project the financial impact of those programs. The cumulative funding limit has been exhausted for five programs; Certified Capital Companies, Community Development Corporation/Bank, Missouri Business Modernization and Technology, New Enterprise Creation, and Small Business Investment (Capital). Appendix B lists the various limits applicable to all current tax credit programs.

Annual and cumulative limits

Of the 53 programs that had redemptions during fiscal year 2009, 30 tax credit programs with redemptions totaling $495.2 million did not have annual limits. There were 46 tax credit programs with fiscal year 2009 redemptions totaling $565.2 million with no cumulative limits, and 23 programs with fiscal year 2009 redemptions totaling $475.9 million had no annual or cumulative limits. The General Assembly has recently established additional program limits for some tax credit programs. For example, during the 2009 legislative session, an annual limit of $140 million was imposed on the Historic Preservation program and an annual limit of $6 million was imposed on the portion of the Missouri Low Income Housing program related to projects financed with tax exempt bonds.

Limits increased

In recent years the limits on some programs have been increased. The following table lists several examples of limits that have been increased.

Program	Limit Type	Initial Limit (in millions)	Current Limit (in millions)	Year of Last Increase
Missouri Quality Jobs	Annual	$ 12.0	$ 80.0	2009
BUILD Missouri Bonds	Annual	15.0	25.0	2009
Qualified Equity Investment	Annual	15.0	25.0	2009
Enhanced Enterprise Zone	Annual	4.0	24.0	2008
Film Production	Annual	1.5	4.5	2008
Retain Jobs[1]	Cumulative	15.0	45.0	2006
Community College New Jobs Training Bonds[1]	Cumulative	20.0	55.0	1999

[1]Increase in limit authorized by Missouri Job Training Joint Legislative Oversight committee

Limit by appropriation

The Homestead Preservation tax credit program results in payments issued to county collectors to reduce the property tax due from qualified elderly low income taxpayers. Because this program requires disbursements of state monies, the program is subject to the annual appropriation process. The Rolling Stock tax credit program, available for tax years beginning on or after January 1, 2009, also requires an appropriation before credits can be issued. For fiscal year 2010, an appropriation of $4 million was passed by the General Assembly but vetoed by the Governor. The DOR indicated $3.7 million in credits would have been issued had the appropriation bill been signed into law. The Community College New Jobs Training Bonds and the Retain Jobs tax credit programs also require an annual appropriation to allow diversion of the related state income tax withholdings to trust funds from which payment of the related debt is made. Because these programs are subject to the appropriations process, the costs are more easily projected and contained.

The General Assembly should consider implementing annual and cumulative limits on all existing and any future tax credit programs to better contain the cost of tax credit programs. In March 2010, the Oversight Division issued a program evaluation, *Review of the State of Missouri Tax Credit Programs*, which also included a recommendation the General Assembly consider setting limits on all tax credit programs. The General Assembly should also closely scrutinize the cost benefit analyses before increasing existing limits.

Tax credits with sunset provisions

The Sunset Act, passed in 2003, provides for new programs to sunset after a period of not more than 6 years unless reauthorized. The Sunset Act only applies to new programs that specifically include a sunset provision. The act requires the Committee on Legislative Research to review applicable programs before the sunset dates and present a report to the General Assembly regarding the sunset, continuation, or reorganization of each affected program.

Since the passage of the Sunset Act, the General Assembly has enacted 18 new tax credit programs. Of these 18 tax credit programs, 8 do not contain a sunset provision. In addition, the Film Production tax credit program originally established in 1998 was amended in 2007 and a sunset provision was added. However, since sunset provisions generally only apply to some new programs, 46 programs with tax credit redemptions totaling $569.1 million during fiscal year 2009 have no sunset provision.

By adopting sunset provisions with the related program review for all tax credits, the General Assembly can determine if the program continues to achieve its intended purpose and whether program funding should be increased, decreased, or eliminated. The General Assembly should consider including sunset provisions for all tax credit programs to help contain the costs.

Fifteen programs expired, repealed, or set to expire

The General Assembly has also placed expiration dates and/or repealed some tax credit programs to help limit the projected financial impact. Four tax credit programs have expired, eight programs have future dates beyond which no new credits may be issued, two other programs were repealed in 2008, and the Enterprise Zone tax credit program is being phased out through 2015. Most of these programs have issued, or will issue, tax credits that will be redeemed in future years. The exact amount of tax credits that will be redeemed and the timing of those redemptions is not known. Of the

53 programs with redemptions in 2009, 43 programs with fiscal year 2009 redemptions totaling $556.1 million did not have an expiration date.

Annual reporting and approval

Agencies administering tax credit programs are required under Section 33.282, RSMo, to submit the estimated amount of tax credit activity for the next fiscal year to the budget director for submission to the chairmen of the senate appropriations and house budget committees. In 2007, the estimates for the Guarantee Fee tax credit were not approved by a majority of the members of the two committees and no credits were issued after December 31, 2007. In 2008, the estimate for this program was approved and new credits were issued beginning January 1, 2009. During the 2009 legislative session, this program was ended and no new credits could be authorized after September 27, 2009.

In addition to the estimates of tax credit activity, the agencies must also include a cost benefit analysis of the program for the preceding fiscal year. In our prior audit report, No. 2001-13, *Review of State Tax Credits Administered by the Department of Economic Development*, issued in February 2001, we noted key information (such as amounts of actual investments made and jobs created) needed to allow more precise cost benefit analyses was either not obtained, or was based upon reports submitted by entities receiving tax credits and the agency administering the tax credit did not have procedures to verify the information. While there has been some improvement since 2001 in the overall procedures used by some agencies to gather and verify information needed to produce the required cost benefit analyses, further improvement is needed. In each of the five most recent tax credit program audit reports[2] issued by our office, we noted concerns with the cost benefit analyses submitted to the General Assembly. In each case state agencies overstated the economic impact of the program. The overstatements were generally caused by the use of inflated amounts for activities undertaken as the result of the tax credit or inflated assumptions regarding investments made and jobs created. DED officials, after reviewing a draft of this report, expressed concern that our comments may be misinterpreted to include all DED programs when only two DED programs were recently audited.

Recommendation

The General Assembly establish annual limits, cumulative limits, sunset provisions, and/or expiration dates for all tax credit programs. In addition, the General Assembly should require state agencies to establish procedures

[2] *Analysis of Affordable Housing Tax Credit*, issued July 2008, report No. 2008-47; *Analysis of Low Income Housing Tax Credit Program*, issued April 2008, report No. 2008-23; *Analysis of Wood Energy Tax Credit Program*, issued October 2007, report No. 2007-58; *Analysis of the New Generation Cooperative Incentive Tax Credit Program*, issued February 2007, report No. 2007-06; and *Analysis of the Agricultural Products Utilization Contributor Tax Credit Program*, issued February 2007, report No. 2007-05.

to verify key information used in cost benefit analyses submitted to the budget director and legislative budget committees.

Appendix A
Tax Credit Redemptions
Fiscal Years 2001 to 2009

Program		Fiscal Year									
		2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Adoption (Special Needs)	$	1,994,763	1,995,471	1,993,883	1,995,882	2,582,546	2,460,245	2,931,967	3,095,525	2,222,415	21,272,697
Affordable Housing Assistance		11,080,040	8,912,821	7,601,144	7,554,503	7,702,860	4,080,564	10,497,793	11,392,907	9,917,951	78,740,583
Agricultural Product Utilization Contributor		524,829	379,740	957,074	1,964,872	1,639,541	1,857,235	2,248,989	1,207,849	145,162	10,925,291
Alternative Fuel Vehicle Refueling Property		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0	0
Bank Franchise		122,803	1,383,763	873,461	1,596,458	2,543,523	2,413,631	1,771,165	2,137,560	2,710,300	15,552,664
Bank Tax Credit for S Corporation Shareholders		585,372	898,921	1,060,111	1,233,830	941,460	1,451,903	1,248,932	1,149,975	1,862,266	10,432,770
Brownfield Jobs/Investment		4,567	149,072	90,893	2,134,891	1,726,687	1,476,143	1,701,409	1,726,005	1,965,406	10,975,073
Brownfield Remediation/Demolition		4,517,217	9,720,088	5,669,489	16,101,975	10,627,870	10,611,324	16,733,274	26,493,252	29,194,789	129,669,278
BUILD Missouri Bonds		664,257	2,907,348	4,261,882	9,667,000	3,770,557	5,402,416	6,958,318	4,975,510	7,074,994	45,682,282
Business Facility		6,721,162	5,088,781	7,244,747	7,826,417	4,546,330	5,892,727	6,066,136	2,815,251	5,896,798	52,098,349
Cellulose Casings[1]		257,595	294,348	225,319	429,480	382,540	341,315	574,180	n/a	n/a	2,504,777
Certified Capital Companies		12,569,861	13,567,768	13,111,196	13,564,932	13,371,610	13,164,904	13,121,442	9,874,295	4,754,869	107,100,877
Charcoal Producers[1]		0	0	120,837	0	384,609	70,151	180,987	106,952	134,663	998,199
Children in Crisis		n/a	n/a	n/a	n/a	n/a	n/a	168,128	306,146	403,291	877,565
Community Development Corporation/Bank		43,089	100,087	484,723	1,632,669	2,021,628	34,870	2,958	11,990	990	4,333,004
Community College New Jobs Training Bonds		11,542,521	10,708,511	8,650,799	8,061,584	6,847,304	5,771,777	4,920,374	4,762,743	4,175,591	65,441,204
Development		4	185,920	430,097	562,622	2,487,152	4,518,483	2,100,685	696,889	966,216	11,948,068
Disabled Access		31,293	49,184	47,506	87,401	56,761	36,549	11,813	28,922	17,206	366,635
Distressed Areas Land Assemblage		n/a	n/a	n/a	n/a	n/a	n/a	0	0	0	0
Domestic Violence		500,018	528,196	513,532	475,283	515,035	525,348	696,670	750,714	612,456	5,117,252
Dry Fire Hydrant		0	0	20,371	13,169	17,228	805	3,737	742	11,133	67,185
Enhanced Enterprise Zone		n/a	n/a	n/a	n/a	0	0	5,188	756,006	1,454,319	2,215,513
Enterprise Zone		24,218,725	14,461,571	13,767,273	19,766,366	15,485,501	14,759,891	13,202,069	13,832,974	6,719,004	136,213,374
Examination Fees and Other Fees[2,3]		2,403,492	3,286,876	6,710,016	5,844,206	4,962,341	5,413,885	4,881,750	2,686,591	4,322,410	40,511,567
Family Development Account		0	25,713	8,760	27,488	12,875	9,237	11,761	8,749	0	104,583
Family Farms Act		n/a	n/a	n/a	n/a	n/a	0	0	33,818	88,137	121,955
Film Production		882,305	51,749	122,810	423,857	322,079	788,596	1,240,972	1,920,709	970,673	6,723,750
Food Pantry		n/a	n/a	n/a	n/a	n/a	n/a	0	243,711	459,810	703,521
Guarantee Fee		107,080	23,418	0	0	11,224	73,009	68,607	39,694	30,812	353,844
Health Care Access Fund		n/a	n/a	n/a	n/a	n/a	n/a	n/a	0	0	0
Historic Preservation		33,971,984	41,401,415	43,153,986	66,089,980	74,532,355	103,134,226	132,841,728	140,111,002	186,426,164	821,662,840
Homestead Preservation		n/a	n/a	n/a	n/a	n/a	n/a	2,932,514	1,030,621	94,337	4,057,472
Life and Health Guarantee Association[2]		7,490,665	4,149,702	2,440,427	177,712	302,516	4,910	0	0	0	14,565,932
Maternity Home		1,147,185	995,937	976,379	982,747	743,636	760,674	983,509	983,153	842,674	8,415,894
MDFB Bond Guarantee		0	0	316,855	0	594,034	0	276,241	0	0	1,187,130
MDFB Development and Reserve		0	0	0	0	1,500	0	500	0	0	2,000
MDFB Export Finance		0	0	0	0	0	0	0	0	0	0
MDFB Infrastructure Development		8,798,670	8,714,272	6,310,541	10,020,578	25,953,799	21,858,725	24,706,809	19,877,329	26,916,508	153,157,231
Missouri Business Modernization and Technology		1,235,887	1,068,033	508,182	288,174	164,894	60,313	82,977	34,317	11,133	3,453,910
Missouri Health Insurance Pool[2]		1,417,694	2,454,317	1,581,522	3,687,665	3,688,639	5,497,999	3,672,701	723,364	2,631,835	25,355,736

Appendix A
Tax Credit Redemptions
Fiscal Years 2001 to 2009

	Fiscal Year									
Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Missouri Low Income Housing	11,747,808	19,474,343	29,978,473	36,916,831	65,392,601	61,963,799	81,646,784	98,305,085	105,967,104	511,392,828
Missouri Property and Casualty Guarantee Association[2]	13,612,065	20,135,749	18,362,815	16,823,462	16,959,512	6,019,763	5,754,394	1,186,805	2,214,045	101,068,610
Missouri Quality Jobs	n/a	n/a	n/a	n/a	n/a	0	1,715,530	2,805,251	6,203,572	10,724,353
Neighborhood Assistance	13,217,496	11,075,600	8,641,533	10,217,628	9,286,880	10,009,497	13,924,340	11,039,982	13,202,082	100,615,038
Neighborhood Preservation	465,024	1,947,073	3,879,134	4,001,293	8,461,503	4,627,368	5,549,062	5,343,647	5,176,659	39,450,763
New Enterprise Creation	0	1,940,260	4,331,972	3,259,307	2,504,561	1,534,647	1,048,997	813,513	320,766	15,754,023
New Generation Cooperative Incentive	1,570,531	533,203	1,510,305	3,466,068	3,334,935	4,990,666	4,136,380	5,068,747	4,190,256	28,801,091
Pharmaceutical[1]	75,816,984	63,686,262	3,737,102	524,527	142,373	1,672	n/a	n/a	n/a	143,908,920
Pregnancy Resource	n/a	n/a	n/a	n/a	n/a	n/a	0	563,669	951,744	1,515,413
Property Tax	101,616,246	85,901,461	97,180,378	95,237,314	99,455,570	96,090,703	93,118,747	100,164,994	118,573,853	887,339,266
Public Safety Officer Surviving Spouse	n/a	n/a	n/a	n/a	n/a	n/a	0	0	9,583	9,583
Qualified Beef	n/a	n/a	n/a	n/a	n/a	n/a	0	0	0	0
Qualified Equity Investment	n/a	n/a	n/a	n/a	n/a	n/a	0	0	0	0
Qualified Research Expense[1]	8,476,856	6,185,521	1,642,524	2,038,230	1,626,864	1,006,688	487,320	100,926	0	21,564,929
Rebuilding Communities	1,053,401	3,438,354	2,289,501	1,415,889	1,694,006	1,764,167	1,390,803	1,967,262	1,548,622	16,562,005
Residential Dwelling Accessibility	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0	16,363	16,363
Residential Treatment Agency	n/a	n/a	n/a	n/a	n/a	n/a	0	214,901	202,900	417,801
Retain Jobs	n/a	n/a	n/a	n/a	0	2,882,995	4,285,366	5,546,167	9,992,850	22,707,378
Rolling Stock	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0	0
Self-Employed Health Insurance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,039,564	1,729,167	2,768,731
Shared Care	15,309	19,271	24,355	39,109	33,574	39,247	105,757	78,360	92,803	447,785
Small Business Incubator	172,912	107,793	81,716	167,360	246,807	322,278	179,368	252,392	548,639	2,079,265
Small Business Investment (Capital)	3,399,257	370,719	149,068	49,478	109,050	58,189	66,720	20,711	30,634	4,253,826
Sponsorship and Mentoring Program[1]	0	0	0	0	0	0	0	n/a	n/a	0
Transportation Development[1]	n/a	1,235,603	1,249,848	3,678,532	3,545,219	980,806	910,421	2,223,821	1,066,386	14,890,636
Winery and Grape Growers	629,145	239,098	275,366	260,397	179,323	69,564	174,736	118,844	153,821	2,100,294
Wood Energy	4,154,777	2,673,412	3,642,570	1,205,443	3,700,285	3,728,100	2,709,211	1,215,292	4,576,446	27,605,536
Youth Opportunities and Violence Prevention	2,752,320	3,000,974	2,898,572	3,272,225	3,211,185	3,256,950	4,893,591	4,137,223	4,723,545	32,146,585
Totals	$ 371,533,209	355,467,718	309,129,047	364,784,834	408,824,882	411,818,954	478,943,810	496,022,421	584,526,152	3,781,051,027

[1] The tax credit has expired or has been repealed. Redemptions may be reported due to carry forward provisions.
[2] Redemptions are on a calendar year rather than fiscal year and based on tax year credit was applied against.
[3] Until the fiscal year 2007 budget process the amount reported by the DIFP for this credit was only the examination fee portion and not the other taxes and fees for which credits were also redeemed.

Source: Office of Administration, Department of Revenue, and tax credit administering agencies

Appendix B
Tax Credit Funding Limits and Sunset Provisions
As of June 30, 2009

Program/Funding Discretion	Funding Limit	Annual (A) Cumulative (C) Limit	Program Limit Status[1]
Discretionary			
Affordable Housing Assistance	$ 11,000,000	A	
Brownfield Jobs/Investment		None	
Brownfield Remediation/Demolition		None	
BUILD Missouri Bonds	25,000,000	A	
Community Development Corporation/Bank	6,000,000	C	Exhausted 2001
Community College New Jobs Training Bonds	55,000,000	C	Expires 2018
Development	6,000,000	A	
Enhanced Enterprise Zone	24,000,000	A	
Family Development Account[2]	4,000,000	A	
Film Production	4,500,000	A	Sunsets 2013
MDFB Bond Guarantee	50,000,000	C	
MDFB Infrastructure Development[3]	10,000,000	A	
Missouri Low Income Housing[4]		None	
Neighborhood Assistance	16,000,000	A	
New Enterprise Creation	20,000,000	C	Exhausted 2001
Qualified Research Expense	10,000,000	A	Expired 2004
Retain Jobs	45,000,000	C	Expires 2014
Small Business Incubator	500,000	A	
Youth Opportunities and Violence Prevention	6,000,000	A	
Entitlement			
Adoption (Special Needs)	4,000,000	A	
Agricultural Product Utilization Contributor[5]	6,000,000	A	
Alternative Fuel Vehicle Refueling Property	3,000,000	A	Sunsets 2014
Bank Franchise		None	
Bank Tax Credit for S Corporation Shareholders		None	
Business Facility		None	Expires 2020
Cellulose Casings		None	Repealed 2008
Certified Capital Companies	140,000,000	C	Exhausted 1999
Charcoal Producers		None	Expired 2006
Children in Crisis		None	Sunsets 2012
Disabled Access[6]		None	
Distressed Areas Land Assemblage[7]	20,000,000	A	
	95,000,000	C	Expires 2013
Domestic Violence	2,000,000	A	
Dry Fire Hydrant	500,000	A	Expires 2010
Enterprise Zone		None	Phasing out 2015
Examination Fees and Other Fees		None	
Family Farms Act	300,000	A	
Food Pantry	2,000,000	A	Sunsets 2011
Guarantee Fee[8]		None	Expires 2009
Health Care Access Fund	1,000,000	A	Sunsets 2013
Historic Preservation[9]		None	

Appendix B
Tax Credit Funding Limits and Sunset Provisions
As of June 30, 2009

Program/Funding Discretion	Funding Limit	Annual (A) Cumulative (C) Limit	Program Limit Status[1]
Homestead Preservation		None	Sunsets 2010
Life and Health Guarantee Association		None	
Maternity Home	$ 2,000,000	A	
MDFB Development and Reserve[3]	10,000,000	A	
MDFB Export Finance[3]	10,000,000	A	
Missouri Business Modernization and Technology	9,000,000	C	Exhausted 2000
Missouri Health Insurance Pool		None	
Missouri Low Income Housing[4]			
Missouri Property and Casualty Guarantee Association		None	
Missouri Quality Jobs	80,000,000	A	
Neighborhood Preservation	16,000,000	A	
New Generation Cooperative Incentive[5]	6,000,000	A	
Pharmaceutical		None	Expired 2001
Pregnancy Resource	2,000,000	A	Sunsets 2012
Property Tax		None	
Public Safety Officer Surviving Spouse		None	Sunsets 2013
Qualified Beef	3,000,000	A	
Qualified Equity Investment	25,000,000	A	Sunsets 2013
Rebuilding Communities	8,000,000	A	
Residential Dwelling Accessibility	100,000	A	Expires 2013
Residential Treatment Agency		None	Sunsets 2012
Rolling Stock	4,000,000	A	Sunsets 2014
Self-Employed Health Insurance		None	
Shared Care[10]		None	
Small Business Investment (Capital)	13,000,000	C	Exhausted 2003
Sponsorship and Mentoring Program		None	Repealed 2008
Transportation Development	10,000,000	A	Expired 2004
Winery and Grape Growers		None	
Wood Energy		None	Expires 2013

[1] Exhausted means the cumulative limit has been reached. Expired or expires means no new credits could or can be authorized. Sunsets means the program is subject to the Sunset Act. Repealed indicates the authorizing statute was repealed. Phasing out means no new companies or projects qualify; however, those already approved will continue to earn credits through the remaining project life but no later than 2015.

[2] Effective beginning fiscal year 2011, the limit is reduced to $300,000 annually.

[3] The statutory limit can be exceeded with the consent of the directors of the DED and DOR, and the commissioner of administration. There is a combined annual limit of $10 million for these 3 programs.

[4] This credit has both discretionary and entitlement sections. The discretionary portion has an annual funding limit of up to 100% of the federal low income housing tax credit. Effective beginning fiscal year 2010, the entitlement portion became discretionary and is limited to $6 million annually.

[5] There is a combined annual limit of $6 million for tax credits issued under these 2 programs.

[6] This credit has a $5,000 cumulative limit per taxpayer.

[7] This credit has a $20 million annual limit for authorizations and a cumulative funding limit of $95 million.

[8] This credit expires September 27, 2009.

[9] Effective January 1, 2010, through June 30, 2010, this credit is limited to no more than $70 million in tax credits. Effective beginning fiscal year 2011, an annual limit of $140 million has been placed on this credit.

[10] There is a limit of $500 per year per recipient for this credit.