



## **State of Missouri Missouri Business Use Incentives for Large-Scale Development Program Detail**

**COMMON NAME:** MO BUILD or BUILD Bonds

**LEGAL NAME:** The BUILD Act

**STATUTORY CITATION:** §§ 100.700-100.850 RSMO

**PROGRAM TYPE:** Business Recruitment and Expansion

**FUNDING LIMITS:** The amount of bonds to be issued will be determined by the Missouri Department of Economic Development (DED) and the Missouri Development Finance Board (MDFB), based on the need for funding to initiate the project, and limited to the state's economic benefit. The minimum bond issue is approximately \$500,000. The tax credits available under the program may not exceed a period of 15 years. The maximum amount of tax credits available in any year for all participants under the BUILD program may not exceed \$15,000,000.

**TYPE OF BENEFITS:** Tax Credits. The BUILD Act provides State income tax credits to companies that finance economic development projects involving the expansion of existing businesses or establishment of new businesses in Missouri if a substantial number of new jobs are created.

**DESCRIPTION OF BENEFITS:** The Missouri Development Finance Board issues bonds and lends the proceeds to applicants. Borrowers are required to pay "assessments" to the Board that are defined to equal debt service on the bonds plus certain other fees paid. The total of such payments is referred to as an "assessment." The assessments paid may not exceed 5% of the total gross wages in each year of all employees whose jobs were created as a result of the project (10% if the project is located within a distressed community). Borrowers are entitled to a tax credit equal to the total assessments paid in each year. Tax credits will be proportionately reduced to the extent borrowers fail to create the number of jobs projected in the application for the project.

**ALLOWED USES OF BENEFITS:** BUILD Tax Credits are refundable. Economic development projects include the acquisition and the development of real property, including construction, installation, or equipping of a project, including surveys; site tests and inspections; subsurface site work; excavation; removal of structures,

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roadways, cemeteries and other surface obstructions; filling, grading and provision of drainage, storm water retention, installation of utilities such as water, sewer, sewage treatment, gas, electricity, communications and similar facilities; off-site construction of utility extensions to the boundaries of the real property, for use and occupancy by an eligible industry or its affiliates.

**ELIGIBLE GEOGRAPHIC AREA:** Statewide

**ELIGIBLE BUSINESS TYPES:** An applicant must qualify as an “eligible industry,” which is a Missouri business engaged in interstate or intrastate commerce for the purpose of manufacturing, processing or assembling products, conducting research and development, or providing services in interstate commerce, office industries, or agricultural processing. Eligible industries exclude those providing retail, health or professional services, or which close or substantially reduce their operation at one location in the State and relocate substantially the same operation to another location in the State.

**BENEFITS ELIGIBILITY REQUIREMENTS:** An eligible industry must (1) invest a minimum of \$15,000,000 in an economic development project (only \$10,000,000 if the eligible industry is an office industry defined as a regional, national or international headquarters, a telecommunications operation, a computer operation, an insurance company, or a credit card billing and processing center); and (2) create a minimum of 100 new jobs (500 new jobs if the project is an office industry or 200 new jobs if the project is an office industry located within a distressed community). A “distressed community” is defined by statute but generally is an area with a median household income of under 70% of the median household income for similar areas, according to the last decennial census. Approximately 180 communities and a number of census block groups in larger cities qualify as distressed communities. The Department of Economic Development keeps a list of distressed communities.



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**SPECIAL REQUIREMENTS:** The following conditions must be met for a project to be approved:

- **Sale of Bonds:** The bonds must be sold on the basis of the business' credit. The options are: (a) the business purchases a bank letter of credit or bond insurance; (b) the business has an investment bond rating; (c) the business arranges for a private placement purchase of the bonds; or (d) the business purchases the bonds.
- **Cooperative Effort:** The political subdivisions benefiting from the project or other local entities must commit significant local incentives relative to their economic benefit compared to the state. Such incentives may include tax abatement, discounted utility fees or others, to the extent allowed by law.
- **“But For” Test:** The company may not start the project prior to the approval of the program. This would include any public announcement, construction or receipt of new machinery or equipment at the project site related to the new project. DED and the MDFB must determine that the program is a material factor in the company's decision to initiate the project, and this is certified by the business.
- **Competition:** The program must verify that at least one other state is being considered for the project
- **Positive State of Economic Impact:** The amount of new direct and indirect state taxes over an 8-to 15-year period, as calculated by DED, must exceed the total amount of incentives provided by the state.
- **Requirements:** New full-time (35+ hours per week) jobs in a new or expanding business (not including identical jobs filled by recalled workers, replacement jobs or jobs which previously existed in the business) are considered to be “new jobs”. The business or a related taxpayer cannot have employed them during the preceding twelve months. The wages for such employees must be above the average wage for the area.



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- **“Clawbacks”**: In the event the business does not fulfill the commitments made regarding the number of new jobs or capital investment, the tax credits will be reduced proportionately. In the event the business relocates or reduces the operation below the minimum standards for new jobs or capital investment prior to the term of the bonds, the tax credits received prior to that time must be repaid in full.
- **Bond Purchase**: Since the MDFB cannot guarantee the bonds, the business will likely have to either purchase the bonds or provide for a bank letter of credit or bond insurance to sell the bonds.

### **INTERNET LINKS:**

Statutes: <http://www.moga.mo.gov/STATUTES/C100.HTM>

Missouri Department of Economic Development: [www.MissouriDevelopment.org](http://www.MissouriDevelopment.org)

Missouri Development Finance Board: [www.mdfb.org](http://www.mdfb.org)

**SOURCES:** “BUILD Program” Missouri Department of Economic Development