

# **BUILD PROGRAM**

## **(BUSINESS USE INCENTIVES FOR LARGE-SCALE DEVELOPMENT)**

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

### **PURPOSE**

Provides a financial incentive for the location or expansion of large business projects. The incentives are designed to reduce necessary infrastructure and equipment expenses if a project can demonstrate a need for funding.

### **AUTHORIZATION**

Sections 100.700 to 100.850, RSMo

### **HOW THE PROGRAM WORKS**

The program provides state tax credits to a business in the amount of debt service payments for industrial revenue bonds related to a portion of project costs.

### **ELIGIBLE AREAS**

Statewide.

### **ELIGIBLE APPLICANTS**

- Manufacturing, processing, assembly, research and development, agricultural processing or services in interstate commerce which will invest a minimum of \$15 million in capital improvements for a project and create at least 100 new jobs within three years.
- Office projects (regional, national or international headquarters, telecommunications operations, computer operations, insurance companies or credit card billing and processing centers) are also eligible if the capital improvements exceed \$10 million and at least 500 new jobs are created within three years (200 jobs if in a "distressed community" - §135.530, RSMo).
- Ineligible: Retail, health or professional services, intra-state relocations or replacement facilities.

### **ELIGIBLE USE OF FUNDS**

The bonds may be used to finance public or private infrastructure used to support the project, or the new capital improvements of the business at the project location. Bond proceeds may not be used for working capital, inventory or other operating costs of the business or another entity.

### **ELIGIBLE USE OF TAX CREDITS**

This tax credit can be applied to:

- ✓ Ch. 143 – Income tax, excluding withholding tax
- ✓ Ch. 148 –
  - ✓ Bank Tax
  - ✓ Insurance Premium Tax
  - ✓ Other Financial Institution Tax

This credit's special attributes:

- ✓ Refundable

### **APPLICATION PROCEDURE**

The business must submit an application to the Department of Economic Development (DED) and the Missouri Development Finance Board (MDFB) for review. There are no application deadlines. DED and MDFB will review on a case-by-case basis.

### **FUNDING LIMITS**

The amount of bonds to be issued will be determined by DED and the MDFB based on the need for funding to cause the project, limited to the state's economic benefit. The minimum bond issue is about \$500,000.

### **SPECIAL PROGRAM 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 Missouri Development Finance Board (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 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.
- **Report:** On a regular basis as determined by MDFB/DED, the business must report the number of new jobs; the total amount of salaries and wages paid to eligible employees.
- **“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.

#### CONTACT

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#### ADDITIONAL RESOURCES

Go to the department's home page at [www.missouridevelopment.org](http://www.missouridevelopment.org) to obtain a wealth of information regarding Missouri's many other economic development programs and policies.

Information about the programs and services provided by MDFB can be found at [www.mdfb.org](http://www.mdfb.org).

The St. Louis Regional Chamber & Growth Association (RCGA) is the chamber of commerce and economic development organization for Greater St. Louis, which includes 16 counties in Missouri and Illinois. RCGA markets the St. Louis region nationally and internationally to attract targeted industries to the area. It further spurs economic development by aiding the expansion and startup of companies within the region.

#### St. Louis Regional Chamber & Growth Association

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