

Missouri Works Program

620.2000-620.2020 RSMO
Effective August 28, 2013



The New Missouri Works

- Business incentives and training
- Streamlined
- Created from “guiding principles” supported by 600 + business, education, labor and economic development leaders
- Signed into law by Governor Nixon
- Effective August 28th, 2013

“Guiding Principles”

- Positive Return on Investment
- Return on Investment Within a Defined Time Period
- Focus on Primary Jobs
- Reward Higher-Paying Jobs With Benefits
- Consider Local Participation
- Flexibility
- Simplicity
- Up-Front Financing
- Entitlement and Discretionary Components
- Broad Applicability

Missouri Works Overview

- To facilitate the creation and retention of high quality jobs by targeted business projects;
- Program includes 5 categories for participating businesses;
- Benefits include retaining state withholding taxes on new jobs and/or state tax credits;
- Benefits include both “statutory” and “discretionary” components;
- Replaces former Missouri Quality Jobs program, Rebuilding Tax Credit program, Enhanced Enterprise Tax Credit program and Development Tax Credit program.

Missouri Works Overview

- Discretionary component adds new considerations
 - Least amount necessary to make the project occur;
 - Benefit shall not exceed projected fiscal net to the state;
 - Ability to negotiate;
 - Standard criteria for adding discretionary benefits;
 - Performance agreements.

Missouri Works Overview

Caps:

Withholdings:

Retained withholdings for **job creation** projects =
no cap;

Retained withholdings for **job retention** projects
= \$6 mil cap;

Tax Credits (**used for job creation only**):

Tax Credit Cap	FY 2014	FY2015	FY2016
Total Program	\$106 mil	\$111 mil	\$116 mil

MO Works Eligibility Criteria

Company *may*:

- Be for-profit and non-profit businesses;
- Be headquarters, administrative offices, or research and development facilities of an otherwise excluded business *may* qualify for benefits if the offices or facilities serve a multistate territory.

MO Works – Proposal vs Direct NOI's

- MO Works may be incorporated into a DED or Missouri Partnership *incentive proposal*, or;
- MO Works may be accessed by a company submitting an NOI;
- Rules and benefits of each category are the same;
- DED has 5 days to respond to the proposal request and 30 days to respond to a direct NOI.

MO Works But/For Test

- Applies to “statutory” and “discretionary” components;
- Applies to job creation and job retention components;
- But/For Tests Include:
 - Company may not have.....
 - performed significant, project-specific site work at the project facility,
 - purchased machinery or equipment related to the project,
 - publicly announced its intention to make new capital investment at the project facility prior to the receipt of a proposal for benefits or approval of its Notice of Intent, whichever comes first.

Important Eligibility Dates

	Announcement May Occur	Investment May Occur	Jobs May be Hired
Proposal	After Date Proposal Sent from DED	Date Proposal Sent from DED (Investment will only count as new investment after the proposal has been accepted by the company.)	After NOI received by DED
Direct NOI	After NOI Approval	After NOI Approval	After NOI received by DED

New Job Creation Project Benefits

Program	Min. New Jobs	Min. New Private Capital Inv.	Min.Avg. Wage	Health Ins. Offered & Paid at Least 50%	Benefits
Zone Works <i>(Note 1)</i>	2	\$100,000	80% of County Avg. Wage	Yes	Retention of WH, 5 or 6 years <i>(Note 3)</i>
Rural Works <i>(Note 2)</i>	2	\$100,000	90% of County Avg. Wage	Yes	Retention of WH, 5 or 6 years <i>(Note 3)</i>
Statewide Works	10	N/A	90% of County Avg. Wage	Yes	Retention of WH, 5 or 6 years <i>(Notes 3 & 4)</i>
Mega Works 120	100	N/A	120% of County Avg. Wage	Yes	6% of new payroll, 5 or 6 years <i>(Notes 3 & 4)</i>
Mega Works 140	100	N/A	140% of County Avg. Wage	Yes	7% of new payroll, 5 or 6 years <i>(Notes 3 & 4)</i>

Note 1: Project facility must be located in an Enhanced Enterprise Zone.

Note 2: Project facility must be located in a "rural" county, which would NOT include Boone, Buchanan, Clay, Greene, Jackson, St. Charles, and St. Louis City and County.

Note 3: Benefit period is 5 years, or 6 years for existing Missouri companies (those that have been operational in Missouri for at least 10 years).

Note 4: Companies may be proposed discretionary incentives of up to a maximum of 9% of new payroll if certain criteria are met.

Zone Works

- **Projects locating inside Enhanced Enterprise Zones; existing or newly formed.**
- **Must create 2 new jobs**
- **Must pay at least 80% of County Average Wage**
- **Must commit to \$100,000 new investment**
- **New zones are formed locally with documentation sent to DED**
 - **Ordinances**
 - **Boundaries**
 - **Proof of eligibility (poverty, etc)**
 - **DED Technical Assistance available**
- **Benefit has no opportunity for “discretionary benefits”**
- **Benefit is withholding taxes only, no tax credits**

Zone Works

Benefit Calculation				Assumptions		
State Average Wage			\$ 43,122			
County Average Wage (Ray)			\$ 31,206	Withholding tax rate		2.63%
Avg New Job Wages as a % of County Avg Wage			96%	Annual Wage Growth		3%
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
New Jobs	4	7	8	8	8	
Average Wage	\$ 30,000	\$ 30,900	\$ 31,827	\$ 32,782	\$ 33,765	
New Payroll	\$ 120,000	\$ 216,300	\$ 254,616	\$ 262,254	\$ 270,122	
Prelim. Program Benefit	\$ 3,156	\$ 5,689	\$ 6,696	\$ 6,897	\$ 7,104	\$ 29,543
Estimated Retained WH	\$ 3,156	\$ 5,689	\$ 6,696	\$ 6,897	\$ 7,104	\$ 29,543

Rural Works

- **Projects located in designated Counties (all except Boone, Buchanan, Clay, Greene, Jackson, St. Charles, and St. Louis City and County)**
- **Must create 2 jobs**
- **Must pay at least 90% of County Average Wage**
- **Must pledge \$100,000 new investment**
- **Benefit includes no opportunity for “discretionary benefits”**
- **Benefit is withholding taxes only, no tax credits**

Rural Works

Benefit Calculation:				Assumptions		
State Average Wage		\$	40,856			
County Average Wage	(Cape Girardeau)	\$	35,214	Withholding tax rate		3.21%
Avg New Job Wages as a % of County Avg Wage			142%	Annual Wage Growth		3%
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
New Jobs	5	8	8	8	8	
Average Wage	\$ 50,000	\$ 51,500	\$ 53,045	\$ 54,636	\$ 56,275	
New Payroll	\$ 250,000	\$ 412,000	\$ 424,360	\$ 437,091	\$ 450,204	
Prelim. Program Benefit	\$ 8,025	\$ 13,225	\$ 13,622	\$ 14,031	\$ 14,452	\$ 63,354
Estimated Retained WH	\$ 8,025	\$ 13,225	\$ 13,622	\$ 14,031	\$ 14,452	\$ 63,354

Statewide Works

- **Must create at least 10 new jobs**
- **Must pay at least 90% of County Average Wage**
- **No new private investment requirement**
- **Benefit includes opportunity for “discretionary benefits”**
- **Benefit is withholding taxes only plus opportunity for tax credits**
- **Discretionary amount may range from percentage of payroll equal to company AGI, up to 9% of payroll (Starting point is not 6% 😊).**

Statewide Works

Benefit Calculation:			Assumptions			
Statewide Average Wage	\$	43,122	Withholding tax rate		3.00%	
County Average Wage (Jackson)	\$	47,318	Benefit Year 1 (as listed on chart) is:		2014	
Avg New Job Wages as a % of County Avg Wage		93%	Average Annual Starting Wage:		\$ 40,000	
Discretionary benefit percentage		6%	Annual Wage Growth		3%	
Total entitlement and discretionary program benefits		6%				
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
New Jobs	10	100	100	100	100	
Average Wage	\$ 40,000	\$ 41,200	\$ 42,436	\$ 43,709	\$ 45,020	
New Payroll	\$ 400,000	\$ 4,120,000	\$ 4,243,600	\$ 4,370,900	\$ 4,502,035	
Prelim. Program Benefit	\$ 24,000	\$ 247,200	\$ 254,616	\$ 262,254	\$ 270,122	\$ 1,058,192
Estimated Retained WH	\$ 12,000	\$ 123,600	\$ 127,308	\$ 131,127	\$ 135,061	\$ 529,096
Estimated Tax Credits	\$ 12,000	\$ 123,600	\$ 127,308	\$ 131,127	\$ 135,061	\$ 529,096
Total Program Benefit	\$ 24,000	\$ 247,200	\$ 254,616	\$ 262,254	\$ 270,122	\$ 1,058,192

Mega Works 120

- **Must create at least 100 new jobs**
- **Must pay at least 120% of County Average Wage**
- **No required new investment**
- **Benefit base of 6% and may be up to 9% of payroll**

Mega I 20 Works

Benefit Calculation:				Assumptions		
Statewide Average Wage		\$	43,122	Withholding tax rate Benefit Year 1 (as listed on chart) is:	3.40%	
County Average Wage (Jackson)		\$	43,122		2014	
Avg New Job Wages as a % of County Avg Wage			139%			
Mega Works Base Benefit			6%	Average Annual Starting Wage:	\$	60,000
Additional benefit			3%	Annual Wage Growth		3%
Total percentage of program benefits			9%			
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
New Jobs	100	100	100	100	100	
Average Wage	\$ 60,000	\$ 61,800	\$ 63,654	\$ 65,564	\$ 67,531	
New Payroll	\$ 6,000,000	\$ 6,180,000	\$ 6,365,400	\$ 6,556,362	\$ 6,753,053	
Prelim. Program Benefit	\$ 540,000	\$ 556,200	\$ 572,886	\$ 590,073	\$ 607,775	\$ 2,866,933
Estimated Retained WH	\$ 204,000	\$ 210,120	\$ 216,424	\$ 222,916	\$ 229,604	\$ 1,083,064
Estimated Tax Credits	\$ 336,000	\$ 346,080	\$ 356,462	\$ 367,156	\$ 378,171	\$ 1,783,870
Total Program Benefit	\$ 540,000	\$ 556,200	\$ 572,886	\$ 590,073	\$ 607,775	\$ 2,866,933

Mega Works 140

- **Must create at least 100 new jobs**
- **Must pay at least 140% of County Average Wage**
- **No required new investment**
- **Benefit base of 7% and may be up to 9% of payroll**

Mega 140 Works (with NJT)

Benefit Calculation:				Assumptions			
Statewide Average Wage	\$	43,122	Withholding tax rate				3.40%
County Average Wage (Jackson)	\$	43,122	Benefit Year 1 (as listed on chart) is:				2014
Avg New Job Wages as a % of County Avg Wage		144%					
Mega Works Base Benefit		7%	Average Annual Starting Wage:	\$	62,000		
Additional benefit		2%	Annual Wage Growth				3%
Total percentage of program benefits		9%					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
New Jobs	100	100	100	100	100	100	
Average Wage	\$ 62,000	\$ 63,860	\$ 65,776	\$ 67,749	\$ 69,782	\$ 71,875	
New Payroll	\$ 6,200,000	\$ 6,386,000	\$ 6,577,580	\$ 6,774,907	\$ 6,978,155	\$ 7,187,499	
Prelim. Program Benefit	\$ 558,000	\$ 574,740	\$ 591,982	\$ 609,742	\$ 628,034	\$ 646,875	\$ 3,609,373
Estimated Retained WH							\$ -
Estimated Tax Credits	\$ 558,000	\$ 574,740	\$ 591,982	\$ 609,742	\$ 628,034	\$ 646,875	\$ 3,609,373
Total Program Benefit	\$ 558,000	\$ 574,740	\$ 591,982	\$ 609,742	\$ 628,034	\$ 646,875	\$ 3,609,373

Additional Notes Re: Calculating Benefits

- **Existing Missouri Business:**

- Company provides proof of 10 years of *operations* in MO;
- May be eligible for additional year of benefits;
- MO parent company of wholly owned subsidiary in operation for 10 years may apply on behalf of company to gain access to additional year.

Criteria for Adding Discretionary Benefits

- The significance of the qualified company's need;
- The projected net fiscal benefit to the state;
- The overall size and quality of the proposed project;
- The financial stability and creditworthiness of the qualified company;
- The level of economic distress in the area;
- The competitiveness of alternative locations for the project facility;
- The percent of local incentives committed.

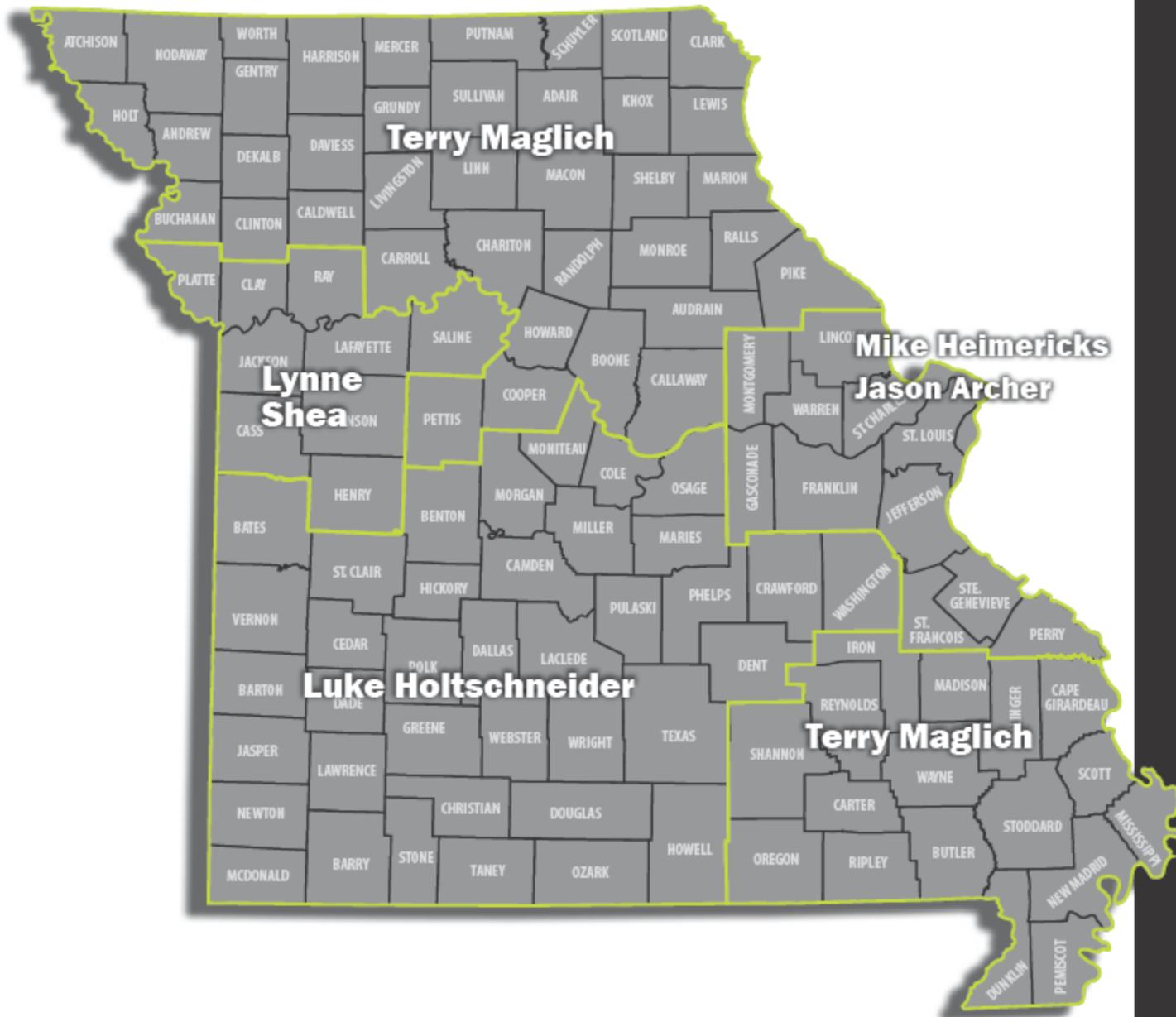
Benefit Agreements

- MO Works provides for actual agreements to be executed between the Company and DED;
- Agreements are applicable to all projects, regardless of whether the benefits are “statutory” or “discretionary”;
- The Agreement is executed upon approval of the first NOI;
- The Agreement shall specify, at a minimum:
 - The committed number of new jobs, new payroll, and new capital investment;
 - The term of the benefits;
 - The term of required reporting;
 - The date or time period during which the tax credits shall be issued.

Benefit Agreements - continued

- Claw-back provisions as may be required by the department including;
 - A material misrepresentation in the application;
 - A bankruptcy;
 - A relocation outside of the state;
 - Dropping below the minimum job threshold;
 - Dropping below the committed jobs (or a percentage thereof) and payroll during benefit term;
 - Failing to comply with the reporting requirements;
 - Failing to provide required capital investment.

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Thank you!

www.ded.mo.gov

<http://ded.mo.gov/moworks>