

**Missouri Budget Project E-News
Special Session Edition
October 14, 2011**

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State Update

- 1. Special Session Update**

The special session continues as the House and Senate remain divided on the content of [Senate Bill 8](#), the tax credit proposal. The Senate will convene on Monday to ask for a conference committee with the House on economic development legislation. The House passed an economic development bill last week that did not include sunset dates on low income housing and historic preservation tax credits, provisions that were included in the bill passed by the Senate.

In addition, the House version reduced the corporate income tax, as well as other provisions not previously discussed or included in the Governor's special session agenda. While an official fiscal note is not yet available, the Missouri Budget Project estimates that reducing the corporate income tax from 6.25 percent to 5.5 percent in FY 2013, the first full year of impact as called for in the bill, would cause a reduction of around \$40 million in general revenue. The revenue loss would grow in subsequent years in conjunction with normal corporate income tax growth. In addition, there may also be some relatively small cost in FY 2012 if corporations begin to reduce their estimated payments right away.

As previously reported, it appears that there is consensus to protect the Circuit Breaker property tax credit for seniors and people with disabilities who rent their housing.

- 2. September General Revenue Update**

In September, General Revenue (GR) collections (net of refunds) declined 1.5 percent compared to September of 2010. Despite the decline in September, net GR collections grew 1.9 percent for the first quarter of Fiscal Year 2012 compared to the first quarter of FY 2011.

For the quarter, gross Individual Income tax and gross Sales and Use tax rose at respectable rates (2.2% and 3.1% respectively). Gross Corporate tax receipts, however, were down about 21% for the three month period.

While positive revenue growth is good news, net GR collections of \$1.784 billion in the just completed quarter were less than the \$1.844 billion that was collected during the first quarter of Fiscal Year 2007.

Federal Update

1. Senate Votes Down President's Jobs Bill

Through a procedural vote on Tuesday, the Senate stopped the American Jobs Act of 2011, a proposal put forward by President Obama. While the comprehensive bill will likely see no further debate, Congress may consider individual components of the bill.

In addition to an expansion of the payroll tax reduction for employees, the Jobs Act contained provisions aimed at small businesses, targeted tax credits, changes in unemployment insurance, job training, and infrastructure investments. Specifically, provisions included:

- Reductions in payroll taxes for businesses;
- Changes permitting businesses to deduct the full value of certain investments in 2012;
- Tax credits for hiring the long-term unemployed;
- Training, jobs, and employment subsidies for low-income youth and adults;
- Direct expenditures to prevent layoffs of police, firefighters, and teachers; and
- Infrastructure investments.