

HB 1503 -- MISSOURI ANGEL INVESTMENT INCENTIVE ACT

SPONSOR: Zerr

This bill establishes the Missouri Angel Investment Incentive Act that is to be administered by the Missouri Technology Corporation. The primary goal of the act is to encourage individuals to provide early-stage financing for emerging qualified knowledge-based companies in Missouri through the issuance of tax credits to qualified investors who make cash investments for the financing. The corporation must review applications from businesses requesting designation as a qualified Missouri business and allocate tax credits to qualified investors who make cash investments in the qualified Missouri business. The Department of Economic Development must establish its own rules of procedure, including the form and substance of applications to be used by the corporation and the criteria it must consider when evaluating a qualified Missouri business and issue tax credits to qualified investors that have been allocated available tax credits by the corporation.

A tax credit must be allowed for an investor's cash investment in the qualified securities of a qualified Missouri business. The credit must be equal to 50% of the investor's cash investment in any qualified Missouri business. This tax credit may be used in its entirety in the taxable year in which the cash investment is made except that no tax credit can be allowed in a year prior to 2014. If the credit amount allowed exceeds the investor's liability in any one taxable year, beginning in 2014, the remaining portion of the credit may be carried forward five years or until the total amount of the credit is used, whichever occurs first. If the investor is a permitted entity investor, the credit must be claimed by the owners of the permitted entity investor in proportion to their equity investment in the permitted entity investor. The department and the corporation cannot issue tax credits of more than \$50,000 in a single year to an investor per investment into a single, qualified Missouri business per investor or for tax credits totaling more than \$250,000 for a single year per investor who is a natural person or owner of a permitted entity investor. A tax credit cannot be allowed for any cash investments in qualified securities made in any year beginning after December 31, 2024. The total amount of tax credits that can be allowed cannot exceed \$6 million in any fiscal year. The balance of unissued tax credits may be carried over for issuance in future years until December 31, 2024.

At the beginning of each year, the corporation must equally designate the total tax credits available during that year to each geographic region comprised of the boundaries of each congressional

district. At the beginning of each calendar quarter, the corporation must make available one-fourth of the total tax annual credits for each region for investments made in qualified Missouri businesses located in each region. As soon as practicable at the end of each quarter, the corporation must prepare and issue a report to the department director designating all tax credits for that quarter so that the department can issue tax credits to qualified investors for cash investments in the qualified Missouri businesses. Any unissued tax credits allocated to any region for any quarter may be reallocated and awarded in any other region in a following quarter with the exception of the fourth quarter when any unissued tax credits may be reallocated and awarded in that quarter.

Before an investor may be entitled to receive tax credits, the investor must have made a cash investment in a qualified security of a qualified Missouri business. The business must have been approved as a qualified Missouri business before the date on which the cash investment was made. To be designated as a qualified Missouri business, a business must make application to the corporation that includes specified information.

The designation of a business as a qualified Missouri business must be made by the corporation and the designation must be renewed annually. A business must be so designated if the corporation determines specified criteria.

The corporation is authorized to allocate tax credits to qualified Missouri businesses and the department is authorized to issue tax credits to qualified investors in those qualified Missouri businesses. The tax credits must be allocated to those qualified Missouri businesses which, as determined by the corporation, are most likely to provide the greatest economic benefit to the region, the state, or both. The corporation may allocate and the department may issue whole or partial tax credits based on the corporation's assessment of the qualified Missouri business. The corporation may consider numerous factors in the assessment including, but not limited to, the quality and experience of the management team, the size of the estimated market opportunity, the risk from current or future competition, the ability to defend intellectual property, the quality and utility of the business model, and the quality and reasonableness of financial projections for the business.

Each qualified Missouri business for which the corporation has allocated tax credits to the qualified investors of the qualified Missouri business must submit a report to the corporation before the tax credits are issued that includes specified information.

The State of Missouri cannot be held liable for any damages to any investor that makes an investment in any qualified security of a qualified Missouri business, any business that applies to be designated as a qualified Missouri business and is turned down, or any investor that makes an investment in a business that applies to be designated as a qualified Missouri business and is turned down.

Each qualified Missouri business must notify the corporation, which must notify the department director, of any changes in the qualifications of the business or in the eligibility of investors to claim a tax credit for cash investment in a qualified security.

The department director, in cooperation with the corporation, must provide specified information to the Department of Revenue on an annual basis. The corporation must conduct an annual review of the activities to ensure that tax credits issued under these provisions are issued in compliance with the bill or specified rules and regulations promulgated by the corporation or the department. If the corporation determines that a business is not in substantial compliance to maintain its designation, the department or corporation may inform, by written notice, the business that it will lose its designation as a qualified Missouri business 120 days from the date of mailing the notice unless the business corrects the deficiencies and is once again in compliance with the requirements for designation. After the 120-day period, if the qualified Missouri business is still not in compliance, the department or corporation may send a notice of loss of designation to the business, the Director of the Department of Revenue, and to all known investors in the business. A business may lose its designation as a qualified Missouri business by moving its headquarters outside of Missouri or a substantial number of the jobs created in Missouri to a location outside Missouri within 10 years after receiving financial assistance under the provisions of the bill. In the event that a business loses its designation as a qualified Missouri business, it will be precluded from being issued any additional tax credits with respect to the business, must be precluded from being approved as a qualified Missouri business, and must be subject to a specified appropriate clawback provision.

Investors in a qualified Missouri business must be entitled to keep all of the tax credits properly issued to the investors under these provisions.

The portions of documents and other materials submitted to the corporation or the Department of Economic Development that contain confidential information as specified in the bill must be kept confidential and must be maintained in a secured environment.

Any qualified investor who makes a cash investment in a qualified

security of a qualified Missouri business may transfer the tax credits to any natural person. Only the full credit for any one investment must be transferred and this interest must only be transferred one time. Documentation of any tax credit transfer must be provided by the qualified investor in the manner established by the corporation and the department by and through its service on the corporation board of directors.

Each qualified Missouri business for which tax credits have been issued must annually report, on or before February 1, specified information to the corporation. The corporation and the department must also report specified information annually, on or before April 1, to the Governor, Director of the Department of Economic Development, President Pro Tem of the Senate, and the Speaker of the House of Representatives on the allocation and issuance of tax credits.

Any violation of the reporting requirements by a qualified Missouri business may be grounds for the loss of designation of the business, and the business must be subject to the specified restrictions.

The provisions of the bill expire December 31, 2024.