

FIRST REGULAR SESSION
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 1202
101ST GENERAL ASSEMBLY

2454H.03C

DANA RADEMAN MILLER, Chief Clerk

AN ACT

To repeal sections 143.022 and 143.071, RSMo, and to enact in lieu thereof five new sections relating to incentives for new businesses.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Sections 143.022 and 143.071, RSMo, are repealed and five new sections
2 enacted in lieu thereof, to be known as sections 34.195, 143.022, 143.071, 431.203, and
3 620.3800, to read as follows:

**34.195. Beginning July 1, 2022, five percent of all state contracts shall be awarded
2 to businesses that have been in operation for less than five years.**

143.022. 1. As used in this section, "business income" means the income greater than
2 zero arising from transactions in the regular course of all of a taxpayer's trade or business and
3 shall be limited to the Missouri source net profit from the combination of the following:

4 (1) The total combined profit as properly reported to the Internal Revenue Service on
5 each Schedule C, or its successor form, filed; and

6 (2) The total partnership and S corporation income or loss properly reported to the
7 Internal Revenue Service on Part II of Schedule E, or its successor form.

8 2. In addition to all other modifications allowed by law, there shall be subtracted from
9 the federal adjusted gross income of an individual taxpayer a percentage of such individual's
10 business income, to the extent that such amounts are included in federal adjusted gross income
11 when determining such individual's Missouri adjusted gross income.

12 3. In the case of an S corporation described in section 143.471 or a partnership
13 computing the deduction allowed under subsection 2 of this section, taxpayers described in
14 subdivision (1) or (2) of this subsection shall be allowed such deduction apportioned in
15 proportion to their share of ownership of the business as reported on the taxpayer's Schedule K-1,

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

16 or its successor form, for the tax period for which such deduction is being claimed when
17 determining the Missouri adjusted gross income of:

18 (1) The shareholders of an S corporation as described in section 143.471;

19 (2) The partners in a partnership.

20 4. The percentage to be subtracted under subsection 2 of this section shall be increased
21 over a period of years. Each increase in the percentage shall be by five percent and no more than
22 one increase shall occur in a calendar year. The maximum percentage that may be subtracted is
23 twenty percent of business income. Any increase in the percentage that may be subtracted shall
24 take effect on January first of a calendar year and such percentage shall continue in effect until
25 the next percentage increase occurs. An increase shall only apply to tax years that begin on or
26 after the increase takes effect.

27 5. An increase in the percentage that may be subtracted under subsection 2 of this section
28 shall only occur if the amount of net general revenue collected in the previous fiscal year exceeds
29 the highest amount of net general revenue collected in any of the three fiscal years prior to such
30 fiscal year by at least one hundred fifty million dollars.

31 6. The first year that a taxpayer may make the subtraction under subsection 2 of this
32 section is 2017, provided that the provisions of subsection 5 of this section are met. If the
33 provisions of subsection 5 of this section are met, the percentage that may be subtracted in 2017
34 is five percent.

35 **7. For purposes of this section, the term "new business income" means any business**
36 **income from a taxpayer that begins business operations in this state on or after January**
37 **1, 2022.**

38 **8. Any remaining amount of new business income included in a taxpayer's Missouri**
39 **adjusted gross income after the subtraction provided under subsection 2 of this section**
40 **shall be reduced, as follows:**

41 (1) **For the first tax year in which the taxpayer's business is in operation, the first**
42 **two hundred fifty thousand dollars of such amount shall be reduced by fifty percent;**

43 (2) **For the second tax year in which the taxpayer's business is in operation, the rate**
44 **of taxation on the first five hundred thousand dollars of such amount shall be reduced by**
45 **thirty-seven and one-half percent;**

46 (3) **For the third tax year in which the taxpayer's business is in operation, the rate**
47 **of taxation on the first seven hundred fifty thousand dollars of income shall be reduced by**
48 **twenty-five percent;**

49 (4) **For the fourth tax year in which the taxpayer's business is in operation, the rate**
50 **of taxation on the first one million dollars of income shall be reduced by twelve and one-**
51 **half percent.**

143.071. 1. For all tax years beginning before September 1, 1993, a tax is hereby imposed upon the Missouri taxable income of corporations in an amount equal to five percent of Missouri taxable income.

2. For all tax years beginning on or after September 1, 1993, and ending on or before December 31, 2019, a tax is hereby imposed upon the Missouri taxable income of corporations in an amount equal to six and one-fourth percent of Missouri taxable income.

3. For all tax years beginning on or after January 1, 2020, a tax is hereby imposed upon the Missouri taxable income of corporations in an amount equal to four percent of Missouri taxable income.

4. For purposes of this section, the term "eligible new corporation" means a corporation validly licensed under the applicable laws of this state that begins operations in this state on or after January 1, 2022.

5. For all tax years beginning on or after January 1, 2022, a tax is hereby imposed upon the Missouri taxable income of eligible new corporation, as follows:

(1) For the first tax year of an eligible new corporation, the first two hundred fifty thousand dollars of income shall be exempt from taxation and any remaining portion of income shall be taxed at a rate of four percent;

(2) For the second tax year of an eligible new corporation, the first five hundred thousand dollars of income shall be taxed at a rate of one percent and any remaining portion of income shall be taxed at a rate of four percent;

(3) For the third tax year of an eligible new corporation, the first seven hundred fifty thousand dollars of income shall be taxed at a rate of two percent and any remaining portion of income shall be taxed at a rate of four percent;

(4) For the fourth tax year of an eligible new corporation, the first one million dollars of income shall be taxed at a rate of three percent and any remaining portion of income shall be taxed at a rate of four percent;

(5) For the fifth tax year of an eligible new corporation and for all tax years thereafter, all income shall be taxed at a rate of four percent.

6. The provisions of this section shall not apply to out-of-state businesses operating under sections 190.270 to 190.285.

431.203. 1. For purposes of this section, the term "covenant not to compete" means an agreement, understanding, contract, or contractual term in which an employee or prospective employee agrees not to compete against an employer or prospective employer or agrees not to accept any positions with a competitor of an employer or prospective employer following the termination of a business or employment relationship between the

6 employee or prospective employee and the employer or prospective employer. A covenant
7 not to compete may, but need not, contain time-based or geographic limitations.

8 2. Notwithstanding any provision of section 431.202 or any other provision of law
9 to the contrary, beginning the effective date of this section, a covenant not to compete
10 created after the effective date of this section shall be void and unenforceable if an
11 employee or prospective employee receives ninety thousand dollars or less in income from
12 such employer or prospective employer.

620.3800. There is hereby created within the department of economic development
2 the "Office of Entrepreneurship". The office shall employ someone to promote policies
3 and initiatives to support the growth of entrepreneurship in the state. The office shall
4 work with stakeholders and communities to provide information and technical support to
5 entrepreneurs.

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