

HB 1202 -- ECONOMIC DEVELOPMENT

SPONSOR: Fitzwater

This bill modifies numerous provisions of law relating to economic development.

LINKED DEPOSITS (Section 30.750, RSMo)

This bill adds to the definition of "eligible small business", a person who receives a loan from the Small Business Administration; however, a person eligible under this bill will not receive a linked deposit in an amount more than 10% of the amount of the loan from the Small Business Administration or \$250,000, whichever is less, and, if such person relocates out of this state within 10 years of receiving the linked deposit, the person will be required to repay the interest forgone on the linked deposit rate to the state.

STATE CONTRACTS (Section 34.195)

Under this bill, 5% of all state contracts will be awarded to businesses that have been in operation for less than five years.

RIGHT TO START ACT (Sections 143.073 and 143.513)

This bill creates the "Right to Start Act".

For all tax years beginning on or after January 1, 2022, a tax is imposed upon the Missouri taxable income of an eligible corporation or other business entity, validly licensed under the applicable laws of this state, that begins business operations in this state on or after the effective date of this bill, as follows:

(1) For the first tax year of an eligible new business, the first \$250,000 of income will be exempt from taxation and any remaining portion of income will be taxed at a rate of 4%;

(2) For the second tax year of an eligible new business, the first \$500,000 of income will be taxed at a rate of 1% and any remaining portion of income will be taxed at a rate of 4%;

(3) For the third tax year of an eligible new business, the first \$750,000 of income will be taxed at a rate of 2% and any remaining portion of income will be taxed at a rate of 4%;

(4) For the fourth tax year of an eligible new business, the first \$1 million dollars of income will be taxed at a rate of 3% and any remaining portion of income will be taxed at a rate of 4%;

(5) For the fifth tax year of an eligible new business and for all tax years thereafter, all income will be taxed at a rate of 4%.

The income tax imposed under this bill will be imposed on eligible new businesses in lieu of the income tax otherwise imposed under Sections 143.011, 143.021, and 143.071, and any other provisions of Chapter 143.

For all tax years beginning on or after January 1, 2022, for any taxpayer who is a corporation or other business entity, validly licensed under the applicable laws of this state and with a Missouri taxable income of less than \$5,000 for the tax year, the Department of Revenue may extend the deadline for the filing of such taxpayer's income taxes and tax returns for a period of one year, at which time such taxes and tax returns must be filed along with any taxes and tax returns otherwise due for the tax year in which the extension ends.

No interest or late penalty will be assessed under any provision of law for individual, corporate, or eligible small business income taxes or income tax returns in which the filing deadline is extended under this bill, provided that, such taxes and tax returns are filed before the extended deadline.

The Department of Revenue may design any forms and may promulgate any necessary rules and regulations for the administration of this extension. Such rules will include, but not be limited to, rules describing how eligible taxpayers will apply for the extension allowed under this bill, how the applications for the extension will be processed by the Department, and how taxpayers who are awarded an extension will file taxes after the extension ends.

NON-COMPETE AGREEMENTS (Section 431.203)

This bill prohibits and voids agreements, understandings, contracts, or contractual terms 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 employee or prospective employee and the employer or prospective employer. Such agreements will be unenforceable and may, but need not, contain time-based or geographic limitations.

OFFICE OF ENTREPRENEURSHIP (Section 620.3800)

This bill creates an Office of Entrepreneurship within the Department of Economic Development. The office will be funded

subject to appropriation from the federal State Small Business
Credit Incentive (SSBCI) funds.