

HCS HB 1202 -- INCENTIVES FOR NEW BUSINESSES (Fitzwater)

This bill modifies numerous provisions of law relating to incentives for new businesses.

RIGHT-TO-START ACT (Section 34.195, RSMo)

Beginning July 1, 2022, this bill requires 5% of all state contracts to be awarded to businesses that have been in operation for less than five years.

TAXATION (Sections 143.022 and 143.071)

Currently, there is an individual income tax deduction for an amount of 10% of business income. This deduction phases in to 20% by 5% increments if certain triggers are met. No increase to the deduction will go into effect unless the net general revenue collected in the previous fiscal year exceeded the amount of net general revenue in any one of the three fiscal years prior to such year by at least \$150 million. Shareholders of "S" corporations and partners in partnerships will be allowed a proportional deduction based their share of ownership.

As specified in this bill, any remaining amount of business income from a taxpayer that begins business operations in this state on or after January 1, 2022, will be reduce by:

- (1) For the first tax year in which the taxpayer's business is in operation, the first \$250,000 of such amount shall be reduced by 50%;
- (2) For the second tax year in which the taxpayer's business is in operation, the first \$500,000 of such amount shall be reduced by 37.5%;
- (3) For the third tax year in which the taxpayer's business is in operation, the first \$750,000 of income shall be reduced by 25%;
- (4) For the fourth tax year in which the taxpayer's business is in operation, the first \$1 million of income shall be reduced by 12.5%.

Additionally, for all tax years beginning on or after January 1, 2022, a tax is hereby imposed upon the Missouri taxable income of a corporation validly licensed under the applicable laws that begins operations in this state on or after January 1, 2022, as follows:

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

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

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

NON-COMPETE AGREEMENTS (Section 431.203)

This bill prohibits a covenant not to compete beginning with the effective date of this bill, provided that a covenant not to compete is created after the effective date of this bill and an employee or prospective employee receives \$90,000 or less in income from such employer or prospective employer.

MISSOURI WORKS PROGRAM (Section 620.2005)

This bill provides store front consumer-based retail trade establishments located in any county of the third or fourth classification may qualify for benefits under the Missouri Works Program.

This provision is similar to a provision in HB 555 (2021)

OFFICE OF ENTREPRENEURSHIP (Section 620.3800)

This bill creates the "Office of Entrepreneurship" within the Department of Economic Development. The Office will employ an individual to promote policies and initiatives to support the growth of entrepreneurship in the state. The Office will work with stakeholders and communities to provide information and technical support to entrepreneurs.