HB 1361 -- RURAL WORKFORCE DEVELOPMENT INCENTIVES

SPONSOR: Pollitt (52)

This bill establishes the "Missouri Rural Workforce Development Act", which provides a tax credit for certain investments made in businesses located in rural areas in this state.

This bill allows investors to make capital investments in a rural fund, as defined in the bill. Such investors will be allowed a tax credit for a period of six years beginning with the year the investor made a capital investment. The tax credit will be equal to a percentage of the capital investment. The percentage will be zero for the first two years, and 15% for the subsequent four years. Tax credits issued in the bill will not be refundable or sellable, but may be carried forward five subsequent tax years, as described in the bill.

Rural funds must use capital investments made by investors to make qualified investments, as defined in the bill, in eligible businesses. Eligible businesses are businesses that, at the time of the qualified investment, have fewer than 250 employees and has its principal business operations in this state.

A rural fund wishing to accept investments as capital investments must apply to the Department of Economic Development. The application will include the amount of capital investment requested; a copy of the applicant's or affiliate's license as a rural business or small business investment company; a certificate executed by an executive officer attesting that such license remains in effect; evidence that the applicant has made at least $100 million in investments in nonpublic companies located in rural areas throughout the United States, and at least $50 million in nonpublic companies are located in Missouri; and a business plan that includes a revenue impact statement projecting state and local tax revenue to be generated by the applicant's proposed qualified investments, as described in the bill. The rural fund will also submit a nonrefundable application fee of $5,000.

The Department must grant or deny an application within 30 days of receipt. The Department will deny an application if the application is incomplete or insufficient, if the revenue impact assessment does not demonstrate that the business plan will result in a positive economic impact on the state over a 10 year period, or if the Department has already approved the maximum amount of investment authority under the bill.

If the Department denies any part of the application, it will inform the applicant the grounds for such denial. If the applicant provides any additional information required by the Department or otherwise completes it application within 15 days of the denial, the application will be considered complete as of the original date of submission. If the application remains denied the applicant may resubmit with a new application fee.

The Department will certify capital investment under this bill in amounts that would be authorize not more than $25 million in tax credits in any calendar year, excluding any credit amounts carried forward. Within 90 days of the applicant receiving notice of certification, the rural fund will issue the capital investment to, and receive cash in the amount of the certified amount from, a rural investor. At least 10% of the rural investor's capital investment will be composed of capital raised by the rural investor directly or indirectly from sources, including directors, members, employees, officers, and affiliates of the rural investor, other than the amount invested by the allocatee claiming the tax credits in exchange for such allocation of tax credits. The rural fund will provide the Department with evidence of the receipt of the cash investment within 95 days of the applicant receiving notice of certification.

If the rural fund does not receive the cash investment and issue the capital investment within such time period following receipt of the certification notice, the certification will lapse and the rural fund will not issue the capital investment without reapplying to the Department for certification. Lapsed certifications will revert to the Department and will be reissued pro rata to applicants whose capital investment allocations were reduced in accordance with the application process provided under this bill.

A rural fund, before making a qualified investment, may request from the Department a written opinion as to whether the business in which it proposes to invest is an eligible business. The department, not later than the 20th business day after the date of receipt of such request, must notify the rural fund of its determination. If the Department fails to notify the rural fund of its determination by the 20th business day, the business in which the rural fund proposes to invest will be deemed an eligible business.

The Department may recapture tax credits if the rural fund does not invest 60% of its capital investment authority in qualified investments within two years of the date of the capital investment, and 100% of its capital investment authority within three years, provided that at least 70% of there initial investments must be made in eligible businesses located in a rural area; if the rural fund fails to maintain qualified investments equal to 90% of its capital investment authority in years three through six, as described in the bill; prior to the earlier exiting the program, or 30 days after the sixth anniversary of the credit allowance, the rural fund makes a distribution or payment that results in the rural fund having less than 100% of its capital investment authority invested in qualified investments in this state or held in cash or other marketable securities; or the rural fund violates the provisions of this bill. No recapture will occur until the fund has been given notice of noncompliance and afforded six months to cure noncompliance.

No eligible business that receives a qualified investment under the bill, or any affiliates of such eligible businesses, will directly or indirectly:

(1) Own or have the right to acquire an ownership interest in a rural fund or member or affiliate of a rural fund including, but not limited to, a holder of a capital investment issued by the rural fund; or

(2) Loan to or invest in a rural fund or member or affiliate of a rural fund including, but not limited to, a holder of a capital investment issued by a rural fund, where the proceeds of such loan or investment are directly or indirectly used to fund or refinance the purchase of a capital investment under this bill

Rural funds must submit annual reports to the Department, including the location of each eligible business receiving a qualified investment, bank statements of such rural funds, the number of jobs created and jobs retained as a result of qualified investments, the average salary of such jobs, and any other information required by the Department, as described in the bill.

At any time after the sixth anniversary of the capital investment, a rural fund may exit the program. The Department will respond to the exit application within 15 days of receipt. In evaluating the exit application, the fact that no credits have been recaptured and that the rural fund has not received a notice of recapture that has not been cured will be sufficient evidence to prove that the rural fund is eligible for exit. The Department will not unreasonably deny an exit application submitted. If the exit application is denied, the notice will include the reasons for the determination.

The Department will not accept any new applications for tax credits authorized under this bill after December 31, 2031.

This bill is similar to SB 465 (2020) and HB 1230 (2019).