HCS SS SCS SB 92 -- TAX CREDITS

SPONSOR: Hoskins (Gregory)

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Economic Development by a vote of 11 to 0. Voted "Do Pass" by the Standing Committee on Rules- Regulatory Oversight by a vote of 6 to 2.

The following is a summary of the House Committee Substitute for SB 92.

INTERN AND APPRENTICE RECRUITMENT ACT (Section 135.457)

Beginning January 1, 2024, a taxpayer may claim a tax credit against the taxpayer's state taxes in an amount equal to $1,500 for each intern or apprentice hired at a pay rate equal to or greater than minimum wage, provided that the following criteria are met:

(1) The total number of interns or apprentices employed for the tax year that the credit is claimed exceeds the average number of interns or apprentices employed by the taxpayer over the previous three years;

(2) Interns shall work a minimum of 60 hours per month for two consecutive months during the tax year for which the credit is claimed, and a copy of each intern's official transcript is submitted; and

(3) Apprentices shall complete a minimum of 2,000 hours of on-the-job training and 144 hours of work in a calendar year, and a copy of the qualified apprenticeship program certification is submitted.

The total amount of tax credits claimed by a taxpayer shall not exceed $9,000 in any given tax year. The cumulative amount of tax credits allowed shall not exceed $1 million per tax year. If the amount of tax credits claimed in a tax year exceeds $1 million, priority shall be given to taxpayers that have been in business for less than five years, with the remaining tax credits to be distributed based on the order in which they are claimed.

Tax credits shall not be refundable. No tax credit shall be carried forward to any subsequent tax year. Nor shall any tax credit be assigned, transferred, sold, or otherwise conveyed.

Application for the tax credits shall be made to the Department of Economic Development and shall include information on participation in the qualified apprenticeship program or a copy of the official transcript for the intern being claimed.

The Department shall prepare an annual report containing statistical information regarding the tax credits issued under this section for the previous year.

These provisions sunset on December 31st, six years after the effective date.

WORK OPPORTUNITY TAX CREDIT (Section 135.465)

Beginning January 1, 2024, this bill allows a qualified taxpayer to claim a tax credit for wages paid to an individual with barriers to employment who is employed in the state in an amount equal to the lesser of:

(1) One hundred percent of the federal Work Opportunity Credit claimed by a qualified taxpayer on such taxpayer's federal income tax return with respect to such wages, excluding any amount carried back or forward from another tax year in accordance with Section 39 of the Internal Revenue Code; or

(2) The Missouri income tax imposed for that tax year, except in the case of an employer that is an organization exempt from taxation under Section 501(c) of the Internal Revenue Code.

An employer that is exempt from taxation under Section 501 26 (c) of the Internal Revenue Code may apply the credit towards the payment of taxes that the organization is required to withhold from the wages of employees and required to pay to the state. Such tax credits shall not be refundable. Nor shall any tax credit be carried forward to any subsequent tax year.

These provisions sunset on December 31st, six years after the effective date.

HOSPITAL FOUNDATION DONATION TAX CREDIT (Section 135.640)

Beginning January 1, 2024, this bill authorizes a nonrefundable tax credit for local hospital foundation donations. A qualified taxpayer, as defined in the bill, may claim a tax credit in an amount equal to 50% of the value of the donations made to a local hospital foundation. The amount of the tax credit claimed shall not exceed the amount of the taxpayer's state tax liability for the tax year that the credit is claimed and cannot exceed $2,500 per taxpayer claiming the credit. The cumulative amount of tax credits allowed to all taxpayers cannot exceed $2 million per tax year.

The tax credit may be carried forward for three subsequent tax years.

These provisions sunset six years after the effective date.

FOOD PANTRY DONATION TAX CREDITS (Section 135.647)

Currently, the cumulative amount of tax credits which may be allocated to all taxpayers contributing to a local food pantry is $1.75 million. This increases the amount to $3 million and extends the sunset from December 31, 2026 to December 31, 2031.

ENTERTAINMENT INDUSTRY JOBS ACT (Section 135.753)

This bill creates the "Entertainment Industry Jobs Act".

Beginning January 1, 2024, a qualified taxpayer shall be allowed a tax credit equal to 30% of the aggregate amount the taxpayer invested and expended as a rehearsal expense or tour expense.

Such investments and expenses are defined in the bill, but with respect to a single employee, aggregate payroll expenses shall not include that portion of an employee's salary that exceeds $2 million in the aggregate for a single tour.

Any unused tax credits, as specified in this bill, may be transfered or sold by a qualified taxpayer under certain conditions. Otherwise, tax credits specified in this bill may be taken beginning with the tax year in which the qualified taxpayer has met applicable investment requirements.

The aggregate amount of tax credits awarded in a fiscal year shall not exceed $8 million.

The provisions in this bill shall be administered by both the Department of Economic Development and the Department of Revenue and shall automatically sunset on December 31, 2030.

TAX CREDITS FOR CERTAIN FUELS (Sections 135.772 to 135.778)

Current law authorizes a tax credit for all tax years beginning on or after January 1, 2023, for the sale of higher ethanol blend fuel and biodiesel fuel and for the production of biodiesel fuel. This bill provides that any taxpayer with a tax year beginning prior to January 1, 2023, but ending during the 2023 calendar year shall be allowed a tax credit for the amount of fuel sold or produced during the portion of such tax year that occurs during the 2023 calendar year.

Additionally, current law authorizing a tax credit for the production of biodiesel fuel limits the maximum amount of tax credits that may be authorized in a fiscal year to $4 million. This bill increases such annual limit to $5.5 million and removes a provision requiring the Department of Revenue to apportion tax credits among biodiesel producers applying for such tax credits.

ANGEL INVESTMENT INCENTIVE ACT (Section 348.273 348.274)

For all tax years beginning on or after January 1, 2023, this bill allows an investor, as defined in the Act, to claim a tax credit in an amount equal to 50% of the investor's investment in the qualified securities of a qualified Missouri business. If the amount of the tax credit exceeds the investor's tax liability in any one tax year, the credit may be carried forward for up to five subsequent tax years. No investor shall receive more than $50,000 in tax credits in a single year for contributions to a single qualified Missouri business, and shall not receive more than $250,000 in tax credits in total in a single tax year. A tax credit may be transferred by a qualified investor. The total amount of tax credits issued in a single tax year by the Missouri Technology Corporation (MTC) shall not exceed $6 million. To be designated as a qualified Missouri business, a business shall apply to the MTC, as described in the bill. The designation of a business as a qualified Missouri business shall be made annually by the MTC. In addition to other requirements described in the bill, a qualified Missouri business shall not have had annual gross revenues of more than $5 million in the most recent tax year of the business.

The MTC is authorized to allocate tax credits to qualified Missouri businesses. The tax credits must be allocated to those qualified Missouri businesses which are most likely to provide the greatest economic benefit to the region, the state, or both. Each business that has been allocated tax credits by the MTC shall submit a report containing information, as specified in the bill, to the MTC before such tax credits are issued.

The state shall not be held liable for any damages to an investor that makes an investment in any qualified security of a qualified Missouri business, any business that applies to be a qualified Missouri business but is turned down, or any investor that makes an investment in a business that applies to be a qualified Missouri business but is turned down.

The MTC shall annually review the activities of this Act to ensure they are in compliance with the provisions of the bill. If the MTC determines that a business is not in substantial compliance, it may inform the business that such business will lose its designation if it does not come into compliance within 120 days. If the business does not come into compliance, the MTC may revoke its designation. If a business loses its designation as a qualified Missouri business, it shall be precluded from being allocated any additional tax credits. However, investors in such a business shall be entitled to keep all of the tax credits properly issued prior to the loss of designation by the business.

The MTC shall report information annually, as specified in the bill, to the Department of Economic Development, the Governor, the President Pro Tem of the Senate, and the Speaker of the House of Representatives.

These provisions sunset six years after the effective date.

RURAL ACCESS TO CAPITAL ACT (Sections 620.3500 to 620.3530)

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

The bill allows investors to make capital investments in a rural fund, as defined in the bill. Investors are allowed a tax credit for a period of six years beginning with the year the investor made a capital investment. The tax credit shall be equal to a percentage of the capital investment. The percentage shall be zero for the first two years, and 15% for the subsequent four years. Tax credits issued under the Act shall not be refundable, but may be carried forward to any of the five subsequent tax years, as specified in the bill. No more than $16 million dollars in tax credits shall be authorized in a given calendar year.

A rural fund wishing to accept investments as capital investments shall apply to the Department of Economic Development. The application shall include the amount of capital investment requested, a copy of the applicant's license as a rural business or small business investment company, evidence that the applicant has made at least $100 million in investments in nonpublic companies located in counties throughout the United States with a population less than 50,000, evidence that the applicant has made at least $30 million in investments in nonpublic companies 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 shall also submit a nonrefundable application fee of $5,000.

The Department shall grant or deny an application within 60 days of receipt. The Department shall deny an application if such 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 capital investment authority.

Rural funds shall use capital investments made by investors to make qualified investments, as defined in the bill, in eligible businesses. An eligible business is a business that, at the time of the qualified investment, has fewer than 250 employees, has its principal business operations in the state, is engaged in certain industries, as described in the bill, does not knowingly employ any individual who is unlawfully present in this country, and is located or has committed to locate in a rural area.

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, if the rural fund fails to maintain qualified investments equal to 90% of its capital investment authority in years three through six, as specifies in the bill, if prior to exiting the program or 30 days after the sixth year, the rural fund makes a distribution or payment that results in the fund having less than 100% of its capital investment authority invested in qualified investments, or if the rural fund violates provisions of the bill.

Rural funds shall submit annual reports to the Department, including the name and location of each eligible business receiving a qualified investment, the total number of new jobs, maintained jobs, new payroll, maintained payroll, new revenue, and maintained revenue by each eligible business receiving a qualified investment, and any other information required by the Department, as specified in the bill.

At any time after the sixth anniversary of the capital investment, a rural fund may apply to the Department to exit the program. The Department shall respond to such application within 15 days. At the time a rural fund exits the program, it shall be required to make a distribution to the state, not to exceed 10% of the amount of tax credits received, if the amount of state and local tax benefits generated by the rural fund's qualified investments are less than the amount of tax credits distributed to the rural fund.

These provisions sunset on August 28, 2029.

The following is a summary of the public testimony from the committee hearing. The testimony was based on the Senate Perfected version of the bill.

PROPONENTS: Supporters say that small businesses in more rural parts of the state of Missouri often have trouble growing and/or expanding beyond their current capacity. One of the main reasons for this is because rural-based banks are often unwilling to loan money to such businesses. However, there are a number of private investors that are willing to provide money and capital, and those investors should be awarded a tax credit. Furthermore, such a tax credit would create a large number of jobs in the manufacturing and agricultural sectors of the state economy.

Testifying in person for the bill were Senator Hoskins; Missouri Chamber of Commerce and Industry; Missouri Soybean Association; Missouri Realtors; Amanda Boehringer, Oklahoma Rural Investment Fund; and Alex Stepanek, Advantage Capital.

OPPONENTS: There was no opposition voiced to the committee.

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under "House Testimony on Senate Bills" on the House website.