

HB 2226 -- MISSOURI ANGEL INVESTMENT INCENTIVE ACT

SPONSOR: Smith (155)

This bill establishes the "Missouri Angel Investment Incentive Act."

Beginning January 1, 2025, a tax credit shall be allowed for an investor's cash investment in the qualified securities of a qualified business. The credit will be equal to 40% of the investor's cash investment in any qualified business. The credit will be equal to 50% of the investor's cash investment if the business is located in a county that meets the rural area classification, as described in the bill. Such tax credit can be carried forward five years or until the total amount of the credit is used, whichever occurs first.

The Missouri Technology Corporation (MTC) will be authorized to allocate tax credits to qualified businesses, and to investors in such qualified businesses. Such tax credits will be allocated to those businesses that are most likely to provide the greatest economic benefit. The MTC can consider numerous factors in such assessment including the quality and experience of the management team, the size of the estimated market opportunity, the risk from current or future competition, the ability to defend intellectual property, the quality and utility of the business model, and the quality and reasonableness of financial projections for the business.

To be designated as a qualified business, such business must apply to the MTC and include the following information:

- (1) A business plan that includes a description of the business and the management, product, market, and financial plan of the business;
- (2) A statement of the potential economic impact of the business, including the number, location, and types of jobs expected to be created;
- (3) A description of the qualified securities to be issued, the consideration to be paid for the securities, and the amount of any tax credits requested; and
- (4) A statement of the amount, timing, and projected use of the proceeds to be raised from the sale of the securities.

The potential qualified business must show that it meets the following criteria:

- (1) That the business has not had annual gross revenues of more than \$5 million in the most recent tax year;
- (2) For businesses that are not bioscience businesses, that the business has been in operation for less than five years, and for bioscience businesses, that the business has been in operation for less than 10 years;
- (3) That the ability of investors to receive tax credits for cash investments in qualified securities is beneficial to advancing the goals of the bill;
- (4) That the business does not have certain ownership interests including common or preferred stock that can be traded via a public stock exchange before the date that a qualifying investment is made;
- (5) That the business is not engaged primarily in certain businesses, as described in the bill;
- (6) That the business has a reasonable chance of success;
- (7) That the business has the reasonable potential to create measurable employment within the region, this state, or both;
- (8) That the business is based on an innovative technology, product, or service designed to be used in the commercial marketplace;
- (9) That the existing owners of the business and other founders have made or are committed to making a substantial financial or time commitment to the business;
- (10) That the securities to be issued and purchased are qualified securities;
- (11) That the business has the reasonable potential to address needs and opportunities specific to the region, this state, or both;
- (12) That the business has made binding commitments for the release of adequate reporting of financial data; and
- (13) That the business will satisfy all other requirements of the bill.

The Missouri Technology Corporation cannot allow tax credits of more than \$75,000 for a single qualified business per investor, nor

can the MTC allow a total of more than \$300,000 in tax credits for a single tax year per investor. No tax credits under this bill will be allowed after December 31, 2032. The total amount of tax credits cannot exceed \$6 million during either calendar year 2024 or 2025. For each tax year thereafter, the total amount of tax credits allowed will be increased by 20% of the total amount allowed in the immediately preceding calendar year. The balance of unissued tax credits can be carried over for issuance before December 31, 2033.

At the beginning of each calendar year, the MTC will equally designate the total amount of tax credits available during the first six months of that calendar year to each designated geographic region, as described in the bill. During the last six months of the calendar year, any unissued tax credits previously allocated can be awarded at the discretion of the MTC.

Each qualified business receiving tax credits must submit a report to the MTC before such tax credits are issued, as specified in the bill.

The Missouri Technology Corporation will conduct an annual review to ensure that the tax credits are issued in compliance with the provisions of this bill. If MTC determines that a business is not in compliance, such business shall have 120 days to correct any deficiencies. In addition, a qualified business may lose its status if such business moves its headquarters out of Missouri, or if such business moves a substantial number of jobs out of state.

Each qualified business must submit a report to MTC annually on or before February 1st, as specified in the bill.

The MTC must submit a quarterly report to the Director of the Department of Economic Development on the allocation of tax credits in the preceding quarter, as specified in the bill. The Missouri Technology Corporation must also submit annual reports to the Governor, the Director of the Department of Economic Development, the President Pro Tem of the Senate, and the Speaker of the House of Representatives on or before April 1st, as specified in the bill.

The tax credits issued in this bill shall be classified as "entrepreneurial tax credits".

This bill is similar to HB 727 (2023).