

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0712H.01I  
 Bill No.: HB 235  
 Subject: Business and Commerce; Economic Development  
 Type: Original  
 Date: March 12, 2025

Bill Summary: This proposal establishes the Missouri Angel Investment Incentive Act.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2033)
Revenue Fund*	Less than (\$199,177)	Less than (\$6,209,252)	Less than (\$6,212,807)	Up to (\$15,164,876)
<b>Total Estimated Net Effect on General Revenue</b>	<b>Less than (\$199,177)</b>	<b>Less than (\$6,209,252)</b>	<b>Less than (\$6,212,807)</b>	<b>Up to (\$15,164,876)</b>

\*Oversight notes the costs for a new tax credit with a cap of \$6 million and a 20% increase each year beginning in FY 2029. Additionally, the above expenditure includes the costs of (1) DOR and (1) DED FTE.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2033)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>Fully Implemented (FY 2033)</b>
<b>Total Estimated Net Effect on All Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>Fully Implemented (FY 2033)</b>
General Revenue – DOR	1 FTE	1 FTE	1 FTE	1 FTE
General Revenue – DED	1 FTE	1 FTE	1 FTE	1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>Fully Implemented (FY 2033)</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### **Sections 348.273 & 348.274 Angel Investment Incentive Act**

Officials from the **Office of Administration – Budget & Planning (B&P)** the proposed legislation creates the Missouri Angel Investment Incentive Act. Beginning January 1, 2026, a tax credit shall be allowed for forty-percent of an investor's cash investment of a qualified Missouri business. The Director of the Department of Economic Development and the Missouri Technology Corporation (MTC) shall not allow tax credits of more than \$75,000 for a single business or a total of \$300,000 in credits for a single year per investor. The legislation caps the tax credit at \$6 million during calendar years 2026 or 2027, increasing by twenty-percent for each calendar year thereafter beginning January 1, 2028 and ending December 31, 2032. The program shall automatically sunset December 31, 2032 and terminate September 1, 2033. The bill also establishes 4 "Designated geographic regions" (DGR) described as such: Region 1 is the counties of Andrew, Bates, Benton, Buchanan, Cass, Clay, Clinton, DeKalb, Gentry, Henry, Holt, Jackson, Johnson, Lafayette, Platte, Ray, and Worth; Region 2 is the counties of Franklin, Jefferson, Lincoln, St. Charles, Warren, and St. Louis, and St. Louis City; Region 3 is all counties north of the Missouri River not in Region 1 or 2; Region 4 is all counties south of the Missouri River not in Region 1 or 2. During the first 6 months of each calendar year, MTC shall equally distribute the total amount of tax credits available to each of the 4 DGR. During the last 6 months of the calendar year, any remaining tax credits allocated to any DGR may be awarded by MTC to a qualified Missouri company located anywhere in the state.

B&P notes that the \$6 million cap is shared between calendar years 2025 and 2026. Therefore, it is possible that the full \$6 million may be authorized and redeemed for calendar year 2026 (FY 27) leaving no credits remaining for calendar year 2027 (FY 28). B&P further notes that the 20% annual increase to the tax credit cap is based on the amount of tax credits allowed in the previous year. This could result in no adjustment being allowed to the credit limit for calendar year 2027 (20% x \$0 tax year 2024 credits authorized), even if the full \$6 million in credits is authorized during the combined two year (2026 and 2027) period.

The following amounts may be allowed annually until the program ends after tax year 2031:  
Calendar Year/(Fiscal Year) Cap

2026 & 2027/ (FY27 & FY28) \$6,000,000  
2028/ (FY29) Up to \$7,200,000  
2029/ (FY30) Up to \$8,640,000  
2030/ (FY31) Up to \$10,368,000  
2031/ (FY32) Up to \$12,441,600  
2032/ (FY33) Up to \$14,929,920

Officials from the **Department of Revenue (DOR)** note:

This creates the Angel Investment Incentive Act which is a tax credit program. Beginning January 1, 2026, an investor who makes a cash investment in the qualified securities of a qualified Missouri business shall receive a tax credit worth 40% of the cash investment unless located in a rural county then the credit is 50% of the contribution. This credit is to stop on December 31, 2032. The credit is not refundable but can be carried forward five years.

The Department of Economic Development (DED) and the Missouri Technology Corporation (MTC) are responsible for administration of this credit. They are to make sure that no one company gets more than \$75,000 in credits per investor and that no investor receives more than \$300,000 annually. This program has a \$6 million annual cap in tax years 2026 and 2027. Each year thereafter the cap will be 20% greater than the actual amount issued in the previous year. If all credits are issued annually, this could result in the following tax credit cap amounts in future years.

Tax Year	Fiscal Year Claimed	Cap
2026	FY 2027	(\$6,000,000)
2027	FY 2028	(\$6,000,000)
2028	FY 2029	(\$7,200,000)
2029	FY 2030	(\$8,640,000)
2030	FY 2031	(\$10,368,000)
2031	FY 2032	(\$12,441,600)
2032	FY 2033	(\$14,929,920)
2033		\$0 program stopped

This proposal also allows any tax credits not issued in a year to be carried forward and given out in a future year, as long as it is before December 31, 2033 (though the stop day of the program is December 31, 2031). For the simplicity of the fiscal note, they will assume all credits are issued in their first year. This will be a loss to general revenue of the cap amount annually.

This proposal will become effective on August 28, 2025, but is allowing the tax credit to start on January 1, 2026. Therefore, the first tax returns filed reporting the credit will be received starting on January 1, 2027.

These credits require the business to be an approve business by MTC. Additionally, MTC has to approve the distribution of the credits. MTC will issue certificates that the taxpayer can attach to the tax return to redeem the credit. MTC is allowed to charge a fee for the credits. They defer to MTC for the impact on the fee.

This will be a new tax credit that has to be added to the MO-TC form (\$2,200), the Department's website and the individual income tax computer system (\$1,832). These changes are estimated to cost \$4,032. DOR's existing tax credit staff is no longer able to take on any additional tax

credits without additional resources. Due to the intensive knowledge of credits that is needed DOR is not able to use temporary staff to help with processing these returns. This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of \$37,020.

**Oversight** notes that this proposal allows for no one qualified company to obtain more than \$75,000 in credits per investor and no one investor, or entity investor, shall receive more than \$300,000 annually.

**Oversight** notes that the proposal, §§348.273.3. (3), requires that all the tax credits issued in previous year must be utilized in order for the 20% increase to occur. Therefore, for purposes of this fiscal note, Oversight will assume a continuous 20% increase occurring each year after FY 2029 (TY/CY 2028).

**Oversight** notes that the proposal, §§348.273.3. (3), allows for the unissued tax credits to be carried over for issuance in any future year, but before December 31, 2032. (FY 2033)

Officials from the **Department of Economic Development (DED)** note:

Section 348.273. creates the Missouri Angel Investment Incentive Act. The tax credit program is primarily administered by MTC (Missouri Technology Corporation). DED's role is to process and issue tax credits.

The program requires annual qualification of Missouri business by the Missouri Technology Corporation (MTC) to be eligible for the allocation of tax credits equal 50% of each investor's cash investment in that business. Such tax credits shall be allocated to those qualified Missouri businesses that, as determined by MTC, are most likely to provide the greatest economic benefit to the region, the state, or both. The MTC may allocate, and the department may issue, whole or partial tax credits in accordance with the report issued to the director of the department based on MTC's assessment of the qualified Missouri businesses.

Each year, tax credits shall be reserved for equal distribution among each geographic region during the first 6 months of the year. Any unissued tax credits can be used for any region, after the first 6 months.

Following allocation by MTC and the cash investment in a qualified security of a qualified Missouri business by an investor, DED is authorized to issue tax credits to qualified investors in such qualified Missouri businesses and may issue whole or partial tax credits in accordance with MTC's assessment of the qualified Missouri businesses.

This program shall automatically sunset December 31, 2032.

Authorizing the tax credit program will likely reduce annual TSR by up to the annual cap in the amount of \$6,000,000 for January 1, 2026 to December 31, 2027 years. For each tax year thereafter, the total amount of tax credits shall be increased by twenty percent, if exhausted the

previous year. The balance of unissued tax credits may be carried over for issuance in future years before December 31, 2034. Qualification and award of projects will be administered by the Missouri Technology Corporation. DED will need to hire 1.0 FTE to administer the program's issuance of tax credits.

**Oversight** notes the DED assume the need for 1 FTE (Senior Economic Development Specialist at \$83,784 annually in the fiscal note beginning FY 2026 to properly administer the tax credit. Oversight does not have any information to the contrary. Therefore, Oversight will reflect the costs for 1 FTE impact in the fiscal note.

**DED**, in additional correspondence via a-mail, in response to the similar identical proposal, SB 1178 (3669S.01), states the MTC is a nonprofit created in statute and governed by a 15-member board under §§348.275 RSMo. The MTC has a separate, private bank account, so the funds from the application fee, as provided in §§348.273. 4 (5), would be collected by MTC into their private account. The money collected in fees would not go into any state fund per the proposed legislation.

Officials from the **Oversight Division** state they are responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, Oversight is able to absorb the cost with the current budget authority.

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028	Fully Implemented (FY 2033)
<b>GENERAL REVENUE</b>				
Cost – Section 348.273 - "Missouri Angel Investment Incentive Act Tax Credit"	\$0	Up to (\$6,000,000)	Up to (\$6,000,000)	Up to (\$14,929,920)
Costs – DED - Section 348.273 – Administrating the program				
Personnel Service	(\$69,820)	(\$85,460)	(\$87,169)	(\$96,242)
Fringe Benefits	(\$41,144)	(\$50,044)	(\$50,729)	(\$56,009)
Expense & Equipment	(\$18,479)	(\$4,492)	(\$4,582)	(\$5,059)
<b>Total Costs – DED p.6</b>	<b>(\$129,443)</b>	<b>(\$139,996)</b>	<b>(\$142,480)</b>	<b>(\$157,309)</b>
FTE Change	1 FTE	1 FTE	1 FTE	1 FTE
Costs – DOR - Section 348.273 – processing of tax credit forms				
Personnel Service	(\$30,850)	(\$37,760)	(\$38,516)	(\$42,525)
Fringe Benefits	(\$25,525)	(\$30,926)	(\$31,229)	(\$34,479)
Expense & Equipment	(\$13,359)	(\$570)	(\$582)	(\$643)
<b>Total Costs – DOR p.5</b>	<b>(\$69,734)</b>	<b>(\$69,256)</b>	<b>(\$70,327)</b>	<b>(\$77,647)</b>
FTE Change	1 FTE	1 FTE	1 FTE	1 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>Less than</u> <b>(\$199,177)</b></b>	<b><u>Less than</u> <b>(\$6,209,252)</b></b>	<b><u>Less than</u> <b>(\$6,212,807)</b></b>	<b><u>Up to</u> <b>(\$15,164,876)</b></b>
Estimated Net FTE Change on General Revenue	2 FTE	2 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028	Fully Implemented (FY 2032)
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT – Small Business

A direct fiscal impact to small businesses would be expected as various businesses will be able to apply for the tax credit.

FISCAL DESCRIPTION

This act establishes the Missouri Angel Investment Incentive Act.

For all tax years beginning on or after January 1, 2026, this bill allows an investor to claim a tax credit in an amount equal to 40% of the investor's investment in the qualified securities of a qualified Missouri business, or 50% of the investor's investment if the qualified Missouri business is located in a rural county. 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 will receive more than \$75,000 in tax credits in a single year for contributions to a single qualified Missouri business, or receive more than \$300,000 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 authorized in a single tax year by the Missouri Technology Corporation (MTC) must not exceed \$6 million for the 2026 and 2027 calendar years. Thereafter, the maximum amount of tax credits that may be authorized will be increased annually by 20%, provided that the maximum amount of tax credits was authorized in the previous year.

To be designated as a qualified Missouri business, a business must apply to the MTC, as specified in the bill. The designation of a business as a qualified Missouri business will be made annually by the MTC. In addition to other requirements specified in the bill, a qualified Missouri business must not have had annual gross revenues of more than \$5 million in the most recent tax year of the business, and the business must not have been in operation longer than five years if the business is not a bioscience business, or longer than 10 years if the business is a bioscience business. Each business that has been allocated tax credits by the MTC must submit a report containing certain information to the MTC before the tax credits are issued.

The State of Missouri will 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 must annually review the activities undertaken by this bill to ensure compliance. If the MTC determines that a business is not in substantial compliance, it may inform the business that the 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 will be precluded from being allocated any additional tax credits. However, investors in such a business will be entitled to keep all of the tax credits properly issued prior to the loss of designation by the business.

The MTC must report certain information annually to the Department of Economic Development, the Governor, the President Pro Tem of the Senate, and the Speaker of the House of Representatives. This act sunsets on December 31, 2032.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development  
Department of Revenue  
Office of Administration – Budget & Planning  
Oversight Division  
Office of the Secretary of State  
Joint Committee on Administrative Rules



Julie Morff  
Director  
March 12, 2025



Jessica Harris  
Assistant Director  
March 12, 2025