

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0712H.02C
Bill No.: HCS for HB 235
Subject: Business and Commerce; Economic Development
Type: Original
Date: April 3, 2025

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2033)
Revenue Fund*	Less than (\$4,884,679)	Less than (\$14,144,754)	Less than (\$14,148,309)	Up to (\$23,100,378)
Total Estimated Net Effect on General Revenue	Less than (\$4,884,679)	Less than (\$14,144,754)	Less than (\$14,148,309)	Up to (\$23,100,378)

*Oversight reflects the reduction in GR due to changes in Section(s) 32.115 & 135.460, increasing the redemption percentage from current percentages up to 70%. Additionally, continuation of the tax credits due to the extension of the sunset in Section(s) 135.341 and 135.647. Oversight notes the overall changes will not have an effect beyond currently established maximum cap(s) for the impacted tax credits. Lastly, Oversight reflects the impact for Section(s) 348.273 & 348.274 Angel Investment Incentive Act with the estimated costs of (2) FTE for DED and DOR.

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

Numbers within parentheses: () indicate costs or losses.

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

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

- ☒ 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.

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

FISCAL ANALYSIS

ASSUMPTION

Section 32.115 - Neighborhood Assistance Program

Officials from the **Office of Administration – Budget & Planning (B&P)** noted:

This proposal would increase the value of the neighborhood assistance tax credits to 70% of each contribution. B&P notes that the three-year average redemption amount for neighborhood assistance was \$8,786,859 from FY22 - FY24. B&P further notes that had the tax credits been set at 70% of donations, redemptions would have been \$12,301,602 for neighborhood assistance. Therefore, this provision could reduce GR by \$3,514,743 annually beginning in FY26.

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

This proposal also changes the Neighborhood Assistance Tax Credit program. The Neighborhood Assistance Tax Credit program has a \$16 million cap with the credit based on 50% of the contribution made. For informational purposes they are providing the amount authorized, issued and redeemed for this credit.

Year	Authorized	Issued	Total Redeemed
FY 2024	\$12,804,707.00	\$10,200,112.00	\$9,185,734.75
FY 2023	\$15,028,834.00	\$12,330,085.00	\$9,107,306.80
FY 2022	\$12,673,134.00	\$11,113,005.75	\$8,067,535.14
FY 2021	\$11,924,548.00	\$9,048,913.00	\$8,623,742.15
FY 2020	\$13,890,324.00	\$8,703,761.00	\$9,471,230.74
FY 2019	\$15,035,823.00	\$10,377,614.00	\$8,947,215.78
FY 2018	\$14,981,906.00	\$12,367,630.00	\$10,922,806.90
FY 2017	\$14,041,962.00	\$14,490,650.00	\$14,831,654.17
FY 2016	\$13,553,852.00	\$13,761,480.00	\$10,318,970.97
FY 2015	\$15,974,536.00	\$11,435,785.00	\$8,230,285.75
FY 2014	\$11,513,379.00	\$9,640,126.00	\$10,848,983.24

FY 2013	\$14,996,900.00	\$10,144,225.00	\$7,392,112.96
FY 2012	\$11,577,412.00	\$8,493,103.00	\$9,757,094.83

This proposal increases the percentage of the contribution from 50% to 70% for the amount of the tax credit a person receives. An increase of \$3,514,744. It is unclear if this would encourage more taxpayers to contribute and claim the tax credit. The three-year average of the redemptions of the program has been \$8,786,859. However, since this program has an annual cap, it is not expected to result in any additional impact to the state.

Officials from the **Department of Economic Development (DED)** assumed the proposal will have no fiscal impact on their organization.

Oversight notes the NAP program expenditures as follows:

	FY 2022 ACTUAL	FY 2023 ACTUAL	FY 2024 ACTUAL
Certificates Issued (#)	1,371	1,387	1,245
Projects/Participants (#)	65	71	66
Amount Authorized	\$12,673,134	\$15,028,834	\$12,804,707
Amount Issued	\$11,113,006	\$12,330,085	\$10,200,112
Amount Redeemed	\$8,067,535	\$9,107,307	\$9,185,734

DED Form 14

Oversight notes the 3-year average redemption was \$8,786,859 at 50% contribution tax credit.

Oversight notes the 70% contribution tax credit would have allowed for a total of \$12,301,602 in the same period.

Oversight notes the difference between 50% and 70% contribution redemption would total to \$3,514,743 (\$12,301,602 - \$8,786,859).

Oversight notes this proposal does not change the \$16 million maximum cap for NAP, instead increases the percentage of the contribution from 50% to 70% for the tax credit. This will allow for those who claim the tax credit to receive a greater amount of funds but will not affect the overall maximum available cap, under the proposal.

Therefore, for the purpose of this fiscal note, **Oversight** will reflect only the credit difference of \$3,514,743 to the general revenue in the fiscal note.

Section 135.341 - Champion for Children Tax Credit

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this proposal makes technical changes to the language waiving any addition to tax, interest, and penalties on taxes due because tax credits being apportioned if the resulting tax due is paid within 60 days.

This proposal also allows the due date for these tax credit to coincide with the annual return due date.

This proposal would also extend the sunset date for the Champion for Children tax credit from 2025 to 2032.

B&P notes that neither of these provisions will impact TSR or the calculation under Article X, Section 18(e).

Officials from the **Department of Revenue (DOR)** assume the champion for children tax credit program allows a taxpayer to receive a tax credit for donations they make to CASA, Child Advocacy Center, or Crisis Care Center. The tax credit has a \$1,500,000 cap. The credit is an apportioned credit which requires DOR to calculate a lesser amount of credit should the number of credits being claimed exceed the cap. This proposal is adding language to extend the sunset to December 31, 2032.

In 2018, the cap on the credit was increased starting July 1, 2019, to \$1.5 million annually. For informational purposes DOR is showing the number of credits redeemed annually over the last several years.

Fiscal Year	Apportioned Cap	Total Credit Redeemed
FY 2024	\$1,500,000	\$961,385.26
FY 2023	\$1,500,000	\$1,225,848.00
FY 2022	\$1,500,000	\$884,965.00
FY 2021	\$1,500,000	\$1,339,280.00
FY 2020	\$1,500,000	\$827,942.00
FY 2019	\$1,000,000	\$999,995.00
FY 2018	\$1,000,000	\$999,986.00
FY 2017	\$1,000,000	\$999,873.00
FY 2016	\$1,000,000	\$999,987.00

This proposal is adding language that when the credit is apportioned and DOR notifies the taxpayer of the reduced amount of the credit and any additional tax liability owed by the taxpayer from not receiving the full credit, the taxpayer will not owe any interest or penalties on the underpayment as long as they pay within 60 days of the receipt of notice. The current statutes do allow a person 60 days to make payment arrangements before instituting any penalties or fees. Therefore, this language would not have a fiscal impact.

Oversight will note that currently, Section 135.341. 7. (1) states that “in the event a credit denial, due to lack of available funds, causes a balance-due notice to be generated by the department of revenue, or any other redeeming agency, the taxpayer will not be held liable for any penalty or interest, provided the balance is paid, or approved payment arrangements have been made, within sixty days from the notice of denial”.

Oversight notes the officials from the **DOR** and **B&P** both assume no fiscal impact stemming from the penalty-interest provision for the Champion for Children tax credit. Therefore, Oversight will reflect zero impact for this section in the fiscal note.

Oversight notes the last three-year (2022-2024) average redemption totaling \$1,024,066 in tax credits at 50% contribution amounts.

Oversight notes the program would sunset as of December 31, 2025 (with redemption occurring in FY 2026) without this proposal. Therefore, **Oversight** will show an impact up to the max cap of \$1.5 million in FY 2027, as a continuance of the program beyond the current sunset date.

Section 135.460 – Youth Opportunities Tax Credit

Officials from the **Office of Administration – Budget & Planning (B&P)** note:

This proposal would increase the value of the youth opportunities tax credit to 70% of each contribution. B&P notes that the three-year average redemption amount was \$4,097,655 from FY22 – FY24. B&P further notes that had the tax credits been set at 70% of donations, redemptions would have been \$4,685,502. Therefore, B&P estimates that this provision could reduce GR by \$1,170,759 annually beginning in FY26.

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

This proposal also changes the Youth Opportunities Tax Credit program. The Youth Opportunities tax credit program has a \$6 million cap with the credit based on 50% of the contribution made. For informational purposes DOR is providing the amount authorized, issued and redeemed for this credit.

Year		Issued	Total Redeemed
FY 2024	\$9,756,101.00	\$4,706,331.00	\$3,468,054.65
FY 2023	\$2,247,858.00	\$4,139,385.00	\$2,987,947.79
FY 2022	\$5,706,067.00	\$3,039,904.00	\$2,324,687.48
FY 2021	\$5,288,870.00	\$1,983,794.00	\$4,084,410.34
FY 2020	\$1,212,623.00	\$4,086,770.50	\$5,217,305.77
FY 2019	\$5,169,666.00	\$5,822,539.00	\$4,040,657.57
FY 2018	\$6,826,426.00	\$5,726,775.00	\$4,818,711.26

FY 2017	\$5,642,936.00	\$6,349,945.00	\$5,451,135.04
FY 2016	\$6,375,728.00	\$5,411,972.00	\$4,706,636.11
FY 2015	\$7,041,012.00	\$5,325,506.00	\$4,247,824.65
FY 2014	\$5,941,601.50	\$5,080,128.00	\$5,239,666.42
FY 2013	\$5,609,784.00	\$5,571,555.00	\$3,906,262.62
FY 2012	\$5,843,692.62	\$4,152,310.83	\$4,979,894.20

This proposal increases the percent of the contribution from 50% to 70% for the amount of the tax credit a person receives. An increase of \$1,170,759. It is unclear if this would encourage more taxpayers to contribute and claim the tax credit. The three-year average of the redemptions of the program has been \$2,926,897. However, since this program has an annual cap, it is not expected to result in any additional impact to the state.

Oversight notes the YOP program expenditures as follow:

	FY 2021 ACTUAL	FY 2022 ACTUAL	FY 2023 ACTUAL
Certificates Issued (#)	974	1,504	1,559
Projects/Participants (#)	36	13	57
Amount Authorized	\$5,706,067	\$2,247,858	\$9,756,101
Amount Issued	\$3,039,904	\$4,139,385	\$4,706,331
Amount Redeemed	\$2,324,687	\$2,987,948	\$3,468,054

DED Form 14

Oversight notes the YOP is a contribution tax credit program, which broadens and strengthens opportunities for positive development and participation in community life for youth and discourages criminal and violent behavior. Individuals, businesses, and corporations having tax liability in Missouri are eligible to receive tax credits for qualified donations to approved YOP projects.

Oversight notes the 3-year average redemption was \$2,926,896 at 50% contribution percentage tax credit.

Oversight notes the 70% contribution tax credit would allow for a total of \$4,097,655 in the same period.

Oversight notes that the difference between 50% and 70% contribution redemption would total to \$1,170,759 (\$4,097,655 -\$2,926,896).

Oversight notes this proposal does not change the \$6 million maximum YOP cap, instead it increases the percentage of the contribution from 50% to 70% for the amount of the tax credit.

This will allow for those who claim the tax credit receive greater amount of funds, but will not affect the overall maximum cap available under the proposal.

Therefore, for the purpose of this fiscal note, **Oversight** will reflect only the credit difference of \$1,170,759 to the general revenue in the fiscal note for the YOP tax credit.

Section 135.647 - Donate Food Tax Credit – (Food Pantry)

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this proposal would waive any addition to tax, interest, and penalties on taxes due because of tax credits being apportioned, if the resulting tax due is paid within 60 days. B&P notes that this would only apply to tax credits that are apportioned among taxpayers in the event that redemptions are greater than the amount allowed per statute or appropriation.

B&P notes that currently taxpayers are encouraged remit their full tax liability, calculated before a tax credit, in case their tax credit claim is denied. However, based on additional information taxpayers are not actually able to remit a payment above the balance due amount shown on their original return until that amount has been amended by DOR. Therefore, taxpayers receiving apportioned credits end up with a tax due notice, with interest and penalties currently levied on the overdue amount. Based on information provided by DOR, this provision could reduce TSR by an unknown, likely minimal, amount.

This proposal also allows the due date for these tax credit to coincide with the annual return due date.

This proposal would also extend the sunset date on the food pantry tax credit from 2026 to 2032. B&P notes that this provision will not impact TSR or the calculation under Article X, Section 18(e).

Officials from the **Department of Revenue (DOR)** assume the food pantry tax credit program allows a taxpayer to receive a tax credit for donations they make to a food pantry, soup kitchen or homeless shelter. The tax credit is \$1,750,000 cap. The credit is an apportioned credit which requires DOR to calculate a lesser amount of credit should the number of credits being claimed exceed the cap.

For informational purposes, the Department notes the Food Pantry tax credit program was created in 2007 and it had a sunset. In 2013, the sunset was extended, and the cap was lowered to \$1,250,000. Then in 2014, the cap was increased to its current \$1,750,000. In 2018, the sunset was extended until 2026. This proposal is adding language to extend the sunset until December 31, 2032. This is an apportioned credit, and it has been hitting its current cap the last several years. Below is information on the authorization, issuance and redemption of the credits over the last few years.

Year	Issued	Total Redeemed
FY 2024	\$1,749,996.00	\$1,749,996.00
FY 2023	\$1,749,990.00	\$1,749,990.00
FY 2022	\$1,749,992.00	\$1,749,992.00
FY 2021	\$1,749,992.00	\$1,749,992.00
FY 2020	\$1,131,882.00	\$1,131,882.00
FY 2019	\$1,380,894.00	\$1,380,894.00
FY 2018	\$1,679,924.00	\$1,679,924.00
FY 2017	\$1,584,566.00	\$1,584,566.00
FY 2016	\$1,155,480.00	\$1,155,480.00
FY 2015	\$1,118,866.00	\$1,118,866.00
FY 2014	\$840,234.00	\$840,234.00
FY 2013	\$72,822.00	\$72,822.00
FY 2012	\$796,156.10	\$796,156.10
TOTALS	\$15,010,798.10	\$15,010,798.10

This proposal is adding language that when the credit is apportioned and DOR notifies the taxpayer of the reduced amount of the credit and any additional tax liability owed by the taxpayer from not receiving the full credit, the taxpayer will not owe any interest or penalties on the underpayment as long as they pay within 60 days of the receipt of notice. Currently, many taxpayers fail to pay the total tax liability they owe minus the food pantry credit when submitting their return. Then when the apportionment occurs, they have not paid their full tax liability by the filing deadline and are assessed penalties or interest. This would help to rectify the situation. DOR assumes this would result in a minimal loss of general revenue from no longer collecting the penalties or fees.

Oversight notes the officials from the DOR and B&P both assume an immaterial fiscal impact stemming from this penalty-interest provision of the proposal for the Food Pantry Tax Credit.

Oversight notes that the proposal allows for similar remedy as above, Section 135.647. 3. (2) denotes the taxpayer shall not be held liable for any addition to tax, penalty, or interest on that tax balance due, provided the balance is paid, or approved payment arrangements have been made, within sixty days from issuance of the notice of credit denial.

Oversight is unsure of how many taxpayers previously receive notice of apportionment thus additional tax due. However, based on responses from DOR and B&P, Oversight will assume that the total amount of interest and penalties owed for this situation was not material. Therefore, for the purpose of this fiscal note, Oversight will not show a fiscal impact for these changes.

Oversight notes the last three years (2022-2024) average redemption totaling \$1,750,000 in tax credits at 50% contribution amounts.

Oversight notes the program would sunset as of December 31, 2025 (with redemption occurring in FY 2026) without this proposal. Therefore, **Oversight** will show an impact up to the cap of \$1.75 million in FY 2027, as a continuance of the program beyond the current sunset date.

Sections 348.273 & 348.274 Angel Investment Incentive Act

Officials from the **Office of Administration – Budget & Planning (B&P)** assume 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"; MTC shall equally distribute the total amount of tax credits available to each of the regions. During the last 6 months of the calendar year, any remaining tax credits may be reallocated 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.

Oversight notes that §248.274 2. (7) allows MTC or DED, in the event that a business loses its designation as a qualified Missouri business, to be subject to a claw-back, at the amount of the tax credits determined by the MTC or DED. Therefore, Oversight will reflect a range from zero (no funds were recaptured) to a potential unknown recapture in revenues (business were deemed non-compliant) , in the fiscal note.

Overall Bill:

Officials from the **DOR** will need to update the Department's computer programs (1,832) and forms (\$2,200) for the changes to all these existing credits. DOR estimate the total cost of the changes at \$12,096 for all above programs.

Oversight notes DOR requests a one-time cost for website updates to comply with the proposed language; however, **Oversight** notes that DOR receives appropriation for routine website updates and will not show those costs in the fiscal note.

Officials from the **DED** note that this version adds in legislation that raises YOP credits and all NAP credits to 70%. However, there is no fiscal impact in that change, so the fiscal impact is the same as the previous version.

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 **Department of Social Services** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

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)
GENERAL REVENUE				
<u>Revenue Reduction – §32.115 – Neighborhood Assistance Program NPA (change in credit from 50% to 70%) p.4</u>	Could exceed (\$3,514,743)	Could exceed (\$3,514,743)	Could exceed (\$3,514,743)	Could exceed (\$3,514,743)
<u>Costs – §135.341 – Champion for Children Tax Credit - extension of the sunset provision beyond December 31, 2025</u>	\$0	Up to (\$1,500,000)	Up to (\$1,500,000)	Up to (\$1,500,000)
<u>Revenue Reduction – §135.460 – Youth Opportunity Program YOP (change in credit from 50% to 70%) p.6</u>	Could exceed (\$1,170,759)	Could exceed (\$1,170,759)	Could exceed (\$1,170,759)	Could exceed (\$1,170,759)
<u>Costs – §135.647 – Food Pantry Tax Credit - extension of the sunset provision beyond December 31, 2025</u>	\$0	Up to (\$1,750,000)	Up to (\$1,750,000)	Up to (\$1,750,000)

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028	Fully Implemented (FY 2033)
<u>Cost – §348.273 - "Missouri Angel Investment Incentive Act Tax Credit"</u>	\$0	Up to (\$6,000,000)	Up to (\$6,000,000)	Up to (\$14,929,920)
<u>Costs – DED - §348.273 – Administrating the program</u>				
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)
<u>Total Costs – DED p.6</u>	<u>(\$129,443)</u>	<u>(\$139,996)</u>	<u>(\$142,480)</u>	<u>(\$157,309)</u>
FTE Change	1 FTE	1 FTE	1 FTE	1 FTE
<u>Costs – DOR - §348.273 – processing of tax credit forms</u>				
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)
<u>Total Costs – DOR p.5</u>	<u>(\$69,734)</u>	<u>(\$69,256)</u>	<u>(\$70,327)</u>	<u>(\$77,647)</u>
FTE Change	1 FTE	1 FTE	1 FTE	1 FTE
<u>Revenue Recapture - §248.274 2. (7) claw back provision</u>	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	Less than <u>(\$4,884,679)</u>	Less than <u>(\$14,144,754)</u>	Less than <u>(\$14,148,309)</u>	Up to <u>(\$23,100,378)</u>
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 2033)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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 bill creates 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, defined in the bill as counties containing 100,000 residents or less.

If the amount of the tax credit exceeds the investor's tax liability in any one tax year, the credit can 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 can 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 can 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 can 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 can 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.

Currently, qualified taxpayers can take a tax credit equal to 50% of a contribution made towards the physical revitalization, economic development, job training, or education for individuals, community services, and crime prevention under the Neighborhood Assistance Act. This bill increases the tax credit to 70% of such contributions (Section 32.115, RSMo).

Currently, qualified taxpayers can take a tax credit equal to 50% of contributions made to certain youth programs under the Youth Opportunities and Violence Prevention Tax Credit Act. This bill increases the tax credit to 70% of such contributions (Section 135.460).

The bill amends provisions of the Champion for Children Tax Credit.

The bill modifies the time-frame within which all tax credit applications to claim the champion for children tax credit must be filed between July first and April 15th of each fiscal year, or as directed by section 143.851, RSMo.

Currently, if a taxpayer is denied a tax credit because of a lack of available funds, and that denial results in a balance owed to the State, the taxpayer has 60 days from the notice of denial to make payment arrangements. If the balance is not paid within 60 days from the notice, the remaining balance will be due and payable in the same manner as personal income tax.

This bill states that in the event of a full or partial denial of a tax credit because the cumulative maximum amount of credits has already been redeemed, and that denial results in an income tax balance owed to the State, the taxpayer will not be held liable for any additional tax, penalty, or interest on that income tax balance, provided that payment arrangements are made within 60 days from the issuance of the notice of the credit denial.

The bill repeals the language stating that if the balance is not paid within 60 days from the notice, the remaining balance will be treated as personal income tax.

This bill extends the expiration of the tax credit to December 31, 2032 (Section 135.341).

This bill also amends provisions of the "Donated Food Tax Credit".

The bill modifies the day by which the Department of Revenue Director must establish a procedure to apportion the cumulative amount of tax credits among all taxpayers claiming the credit to be April 15th of the fiscal year, or as directed by section 143.851.

Currently, the Department of Revenue establishes procedures to ensure that taxpayers can claim all possible portions of the tax credit up to the cumulative amount available for the fiscal year. This bill states that in the event of a full or partial denial of a tax credit because the cumulative maximum amount of credits has already been redeemed, and that denial results in an income tax balance owed to the State, the taxpayer will not be held liable for any additional tax, penalty, or interest on that income tax balance, provided that payment arrangements are made within 60 days from the issuance of the notice of the credit denial.

This bill extends the expiration of the tax credit to December 31, 2032 (Section 135.647).

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
April 3, 2025



Jessica Harris
Assistant Director
April 3, 2025