HCS HB 235 -- TAX CREDITS FOR INVESTMENTS IN MISSOURI COMMUNITIES

SPONSOR: Gallick

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Higher Education and Workforce Development by a vote of 11 to 0. Voted "Do Pass" by the Standing Committee on Rules-Administrative by a vote of 7 to 1.

The following is a summary of the House Committee Substitute for HB 235.

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 bill is similar to HB 326 (2025), HB 682 (2025) and SCS SB 1178 (2024).

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

PROPONENTS: Supporters say that this language will incentive investments in start-up companies that often lead to innovation. Surrounding states offer a similar incentive and too often these businesses are leaving Missouri because angel investors are being offered for these tax credit incentives. There is potential for growth in technology and having more capital available to business in Missouri would be helpful. This bill would bring potential investors off the sidelines and help create jobs in both urban and rural communities

Testifying in person for the bill were Representative Gallick; Codefi LLC; Greater Kansas City Chamber of Commerce, City of Kansas City and Civic Council of Greater Kansas City; Biostl, Greater St. Louis, Inc.; Missuri Chamber of Commerce and Industry; and Jason Wiens, Next Missouri.

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 Testimony on the bill page on the House website.