

HCS#2 HB 1007 -- TAX CREDITS

SPONSOR: Owen

COMMITTEE ACTION: Voted "Do Pass with HCS #2" by the Special Committee on Tax Reform by a vote of 5 to 3.

The following is a summary of the House Committee Substitute #2 for HB 1007.

This bill modifies the status of certain existing tax credits.

The bill removes certain tax credits that are currently administered by the Department of Revenue (DOR), and placing those tax credits in a different agency. Such tax credits include:

(1) Surviving Spouses of Public Safety Officers Tax Credit, moved from DOR to the Department of Public Safety , this transfer to occur on August 28, 2025;

(2) Adoption Tax Credit, moved from DOR to the Department of Social Services (DSS), this transfer to occur on August 28, 2025;

(3) Champion for Children Tax Credit, moved from DOR to DSS, this transfer to occur on August 28, 2025;

(4) Residential Renovations for Disability Tax Credit, moved from DOR to Department of Economic Development (DED), this transfer to occur on August 28, 2025;

(5) Donated Food Tax Credit, moved from DOR to DSS, this transfer to occur on August 28, 2025;

(6) High Ethanol Blend Seller Tax Credit, moved from DOR to the Department of Agriculture (MDA), this transfer to occur on August 28, 2025;

(7) Biodiesel Blend Seller Tax Credit, moved from DOR to MDA, this transfer to occur on August 28, 2025; and

(8) Biodiesel Blend Producer Tax Credit, moved from DOR to MDA, this transfer to occur on August 28, 2025.

The bill also applies the provisions of the Missouri Sunset Act to those tax credits that currently lack such provision, setting an automatic sunset on August 28, 2031. Such tax credits include:

(1) Neighborhood Assistance Tax Credit;

- (2) Missouri Development Finance Board Tax Credit changes the sunset;
- (3) Missouri Development Finance Board (revenue bonds or notes) Tax Credit;
- (4) Business Use Incentives for Large-Scale Development Tax Credit;
- (5) Investments in Missouri Small Businesses Tax Credit;
- (6) Youth Opportunities and Violence Prevention Tax Credit;
- (7) Rehabilitation and Construction of Residences in Distressed Communities and Census Blocks Tax Credit;
- (8) ADA Access, Expenditures by Small Businesses Tax Credit;
- (9) Community-Based Faculty Preceptor Tax Credit;
- (10) Residential Treatment Agency Tax Credit;
- (11) Developmental Disability Care Provider Tax Credit;
- (12) Missouri Working Family Tax Credit;
- (13) S Corporation Banks, Associations, and Credit Institutions Tax Credit;
- (14) Shared Care Giver Tax Credit;
- (15) Family Development Account Tax Credit;
- (16) Family Farm Breeding Tax Credit; and the
- (17) Brownfield Redevelopment Program Tax Credit.

The bill also places a maximum cap on those tax credits that currently lack such a provision. Such tax credits include:

- (1) Surviving Spouses of Public Safety Officers Tax Credit;
- (2) New or Expanded Business Facility Tax Credit;
- (3) ADA Access, Expenditures by Small Businesses Tax Credit;
- (4) Residential Treatment Agency Tax Credit;

- (5) Developmental Disability Care Provider Tax Credit;
- (6) Self-Employed Health Insurance Tax Credit;
- (7) Missouri Working Family Tax Credit;
- (8) S Corporation Banks, Associations, and Credit Institutions Tax Credit;
- (9) Shared Care Giver Tax Credit; and
- (10) Brownfield Redevelopment Program Tax Credit.

The bill repeals from statute tax credits that have already expired, including the following:

- (1) Distressed Areas Land Assemblage Tax Credit;
- (2) Charcoal Producers Tax Credit;
- (3) Certified Capital Company Tax Credit;
- (4) Investing in the Transportation Development of a Distressed Community Tax Credit;
- (5) Qualified Beef Tax Credit;
- (6) Qualified Equity Investment Tax Credit;
- (7) Grape & Wine Producers Tax Credit;
- (8) Alternate Fuel Vehicle Refueling Property and EV Recharging Property Tax Credit;
- (9) Small Business Guaranty Fees Tax Credit;
- (10) Enhanced Enterprise Zones Tax Credit;
- (11) Unmet Health, Hunger, and Hygiene Needs of Children in School;
- (12) Higher Education Scholarship Program Tax Credit;
- (13) Dry Fire Hydrant Tax Credit;
- (14) Contributions to Innovation Centers Tax Credit;
- (15) New Enterprise Creation Tax Credit;

(16) Missouri Quality Job Act Tax Credit; and

(17) Innovation Campus Tax Credit.

Beginning January 1, 2026, the creation of any new tax credit or increasing the cumulative cap of an existing tax credit will require that the General Assembly repeal, modify, or reduce the total amount of an existing tax credit or tax credits to ensure that the amount available to taxpayers is less than or equal to the total amount reduced that resulted from the newly created tax credit program or that resulted from the increased cumulative cap amount on the existing tax credit program.

Beginning January 1, 2026, all tax credits can not be carried forward beyond three years, if carry forward provisions are applicable.

Beginning fiscal year July 1, 2026, all tax credits will be subject to appropriation. The following tax credits will be exempt from appropriation:

(1) Self-Employed Health Insurance Tax Credit;

(2) SALT Parity Tax Credit;

(3) S Corporations Banks, Associations, and Credit Institutions Tax Credit;

(4) Banking Institution Tax Credits;

(5) Missouri Low-Income Housing Tax Credit;

(6) Show Mo Act Tax Credit; and

(7) Missouri Working Family Tax Credit;

This bill is similar to HCS HB 2319 (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 the way in which our tax credits are currently administered is inefficient and does not afford for proper checks and balances to see if they work. Supporters say this bill will allow those tax credits that are structurally sound to survive, while those tax credits that are weaker (and provide no value to the public) to perish. Supporters also say that, by subjecting tax credits to the appropriation process, the General

Assembly will have a chance to dig deeply into each tax credit to see if it is, in fact, worthwhile and beneficial to the taxpayers.

Testifying in person for the bill was Representative Owen.

OPPONENTS: Those who oppose the bill say that tax credits that have only recently been signed into law would find it difficult to meet the thresholds that this bill mandates. As such, opponents believe the newer tax credits should be exempt from the bill so they may have a chance to prove their worth.

Testifying in person against the bill were Arnie Dienoff and Missouri Motion Media Association.

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.