

HB 3231 -- MISSOURI INNOVATION, PUBLIC SAFETY, AND ACCOUNTABILITY ACT

SPONSOR: Christ

This bill establishes the "Missouri Innovation, Public Safety, and Accountability Act" by creating nine new sections in Chapter 620, RSMo, to authorize innovation districts and related state and local incentive mechanisms.

The bill establishes an "Innovation District Program" and authorizes a city to apply to the Department of Economic Development (DED) for designation of an innovation district by submitting an innovation district master plan, as specified in the bill. A local ordinance or resolution is not required as a prerequisite to designation and a city may have only one innovation district. DED must approve a complete application within 45 calendar days, and failure to act within that time is considered an automatic approval if statutory requirements are met.

Upon designation, certain state administered incentives become available within the district, including a Missouri income tax exemption or abatement, a Missouri opportunity zone investment mechanism, an office-to-residential tax credit, and state sales tax and withholding reinvestment where authorized. Local incentives, including property tax abatement and tax increment financing, may also be used. DED must submit a biennial written report to the General Assembly summarizing the program and its aggregate outcomes.

This bill establishes the "Rural Missouri Development Fund" for supporting economic development, infrastructure, housing, workforce development, and related community-building activities in rural and small communities in the State.

The bill creates the "Innovation District Public Safety Fund" which allows 50% of incremental state tax receipts generated within the district that would otherwise be deposited into General Revenue to be remitted for district benefit. Incremental receipts include state sales tax revenues above a fixed baseline and state income tax withholdings above a fixed baseline, with the baseline calculated using the 12 months immediately preceding designation of the district. Areas located within a super tax increment financing district or a district established under the Missouri Downtown Economic Stimulus Authority Act are excluded from the state-tax recapture mechanism.

This bill authorizes a withholding benefit for eligible employers operating within an innovation district, delivered as either a withholding tax credit or an authorized retention of state income tax withholdings. The benefit is limited to no more than 3% of aggregate gross wages paid to eligible employees at the innovation district location during a tax year and may be authorized for up to 10 years. An employer must commit to remain at the location for at least five years and maintain at least 95% of baseline payroll, subject to notice and cure provisions.

This bill allows a project sponsor to seek a construction phase withholding advance for a project within an innovation district if total hard construction costs equal at least \$5,000,000. Advances are limited to no more than 25% of projected construction-phase state income tax withholdings and are reconciled against actual withholdings. Construction must have commenced and at least 10% of total hard construction costs must have been incurred prior to disbursement. DED must approve or deny a request within 45 days, with failure to act resulting in deemed approval if requirements are met.

For tax years beginning on or after January 1, 2027, the bill creates an income tax exclusion or abatement for a qualified new resident who was not a Missouri resident for income tax purposes in the immediately preceding tax year and who establishes and maintains a primary residence within an innovation district. The bill provides for recapture of the tax reduction in the tax year eligibility is lost.

For tax years beginning on or after January 1, 2027, the bill authorizes an office-to-residential conversion tax credit incentive of up to 30% of qualified conversion expenditures. Unused credits may be carried back three years or carried forward 10 years. The credit may be applied against Missouri income tax under Chapter 143, RSMo or state sales and use tax under Chapter 144, RSMo and may be transferred, sold, or assigned. An assignee may offset up to 100% of state tax liability. Total authorizations are capped at \$50 million per fiscal year. Fifty percent of the annual cap is reserved for structures over 750,000 gross square feet, subject to reallocation provisions, and 25% of the annual cap is reserved for upper-floor housing projects located within a qualified Missouri Main Street district. The annual cap is subject to adjustment based on the Consumer Price Index if the full amount is authorized in a fiscal year.

This bill establishes a "Missouri Opportunity Zone" that authorizes an investment mechanism under which a taxpayer may defer ordinary Missouri income tax liability if the amount is invested in a qualified Missouri opportunity zone investment within 180 days after the close of the tax year. Deferral ends upon certain inclusion events, including disposition of the investment, loss of qualification, 10 years from the date of investment, failure to commence substantial active business operations within 24 months, or failure to place property into active use or make qualifying improvements within 30 months, as specified. If the investment is held for at least 10 years, gain recognized upon disposition is excluded from Missouri taxable income.

These provisions sunset 10 years after the effective date.