SS SB 1553 -- INCENTIVES FOR PRODUCING CERTAIN CRITICAL MATERIALS

SPONSOR: Gregory (21)

COMMITTEE ACTION: Voted "Do Pass" by the Standing Committee on Commerce by a vote of 9 to 0. Voted "Do Pass" by the Standing Committee on Rules-Legislative by a vote of 10 to 0.

MANUFACTURING SALES TAX EXEMPTION (Section 144.054)

Current law authorizes a sales tax exemption for energy, machinery, equipment, and materials used or consumed in the manufacturing, processing, compounding, mining, or producing of any product. This bill modifies the definition of "product" to include "critical materials" and "critical pharmaceuticals", as defined in the bill.

MISSOURI DEFENSE AND ENERGY INDEPENDENCE ACT (Section 620.1641)

This bill establishes the "Missouri Defense and Energy Independence Act".

The bill authorizes, for all tax years beginning on or after January 1, 2027, the Department of Economic Development to award tax credits to a qualified company for qualified project costs incurred by the qualified company on or after January 1, 2027, as such terms are defined in the bill. No tax credit can be authorized for any qualified company that incurs less than $5 million in qualified project costs.

The amount of tax credits must be equal to 20% of qualified project costs for qualified companies that incur at least $5 million but fewer than $15 million in qualified project costs, and 25% of qualified project costs for qualified companies that incur at least $15 million in qualified project costs.

Qualified project costs are costs incurred by a qualified company for the construction, expansion, or conversion of facilities and the acquisition of equipment for the production of critical materials or critical pharmaceuticals, as defined in the bill. Qualified project costs will not include any costs incurred by a qualified company utilizing a contractor unless such contractor is selected through an open bidding process, is headquartered in this State, has at least 85% of its workforce residing in Missouri, and maintains an existing U.S. Department of Labor registered apprenticeship program.

Tax credits authorized by this bill are not to be refundable, but can be carried forward for 10 subsequent tax years or until the full amount of the tax credit is redeemed, whichever occurs first. The tax credits can also be transferred, sold, or otherwise assigned. The cumulative amount of tax credits that may be authorized in any fiscal year can not exceed $40 million.

The bill requires a qualified company seeking tax credits under this bill to submit a notice of intent to the Department, and must enter into a written agreement specifying the types and amounts of critical materials and critical pharmaceuticals that will be produced or processed, the estimated amount of capital investment and number of new jobs to be created at the project facility, clawback provisions, and other provisions the Department requires.

This bill also establishes the "Grants for Independence from Foreign Influence Fund", which must consist of at least $10 million in appropriated moneys. The Fund must be used by the Department to provide grants to qualified companies in an amount not to exceed $500,000. Grant funds must be administered by the Missouri Development Finance Board as the third-party administrator, and must be used solely for qualified project costs incurred before the completion of the project facility.

This bill will sunset on December 31, 2036, unless reauthorized by the General Assembly.

PROPONENTS: Supporters say that this bill will strengthen and expand Missouri's economic development and economy. Many said this bill is a national defense and security bill by mining critical materials in Missouri instead of relying on foreign countries for materials that Missouri could mine instead.

Testifying in person for the bill were Senator Gregory; Associated Industries of Missouri; Missouri Chamber of Commerce & Industries; Douglas Jost, Jost Chemical Company; The Doe Run Company; and API Innovation Center.

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.