COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1210H.06C
Bill No.: HCS for SS for SCS for SB 92
Subject: Economic Development; Department of Economic Development; Tax Credits
Type: Original
Date: May 1, 2023

Bill Summary: This proposal modifies provisions relating to tax credits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue Fund*	Up to ($9,090,545)	Up to ($132,315,702)	Up to ($155,542,722)
Total Estimated Net Effect on General Revenue	**Up to ($9,090,545)**	**Up to ($132,315,702)**	**Up to ($155,542,722)**

*Oversight notes the reduction of revenue reflects various tax credit programs, up to the amount the maximum cap for each program, as well as new FTE for the Department of Revenue and the Department of Economic Development.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue Fund – DED	3 FTE	5 FTE	5 FTE
General Revenue Fund – DOR	0 FTE	4 FTE	4 FTE
Total Estimated Net Effect on FTE	**3 FTE**	**9 FTE**	**9 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 2024	FY 2025	FY 2026
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Section 135.457 Intern and Apprentice Recruitment Act

In response to the similar proposal, SB 637, officials from the **Office of Administration – Budget & Planning (B&P)** assumed the proposed legislation would establish the "Intern and Apprentice Recruitment Act". Beginning on January 1, 2024, employers will be able to claim a tax credit of $1,500 for each intern they hired at a pay rate equal or greater than minimum wage so long as the total number of interns employed for the tax year the credit is claimed exceeds the average number of interns employed by the taxpayer over the previous three years, the interns work a minimum of 60 hours per month for 2 consecutive months and a minimum of 140 hours of work per calendar year. The total amount of tax credits is limited to $9,000 per employer per tax year, and the cumulative amount of the tax credit is limited to $1,000,000 per tax year. Priority will be given to employers who have been in business less than 5 years, and tax credits will not be able to be carried forward to any subsequent tax year.

Applications for the tax credit will be created by the Department of Economic Development (DED). DED is also required to create an annual report containing statistical information regarding the tax credits issued the previous year. The program will sunset on December 31, 2030 unless reauthorized. If the program is reauthorized, the program will sunset on December 31, 2036 and will terminate on September 1 of the calendar year the program sunsets.

Oversight notes the officials from the B&P 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 for B&P in the fiscal note.

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

Starting January 1, 2024, this would give a qualified taxpayer a $1,500 tax credit for each qualified intern or apprentice employed by the taxpayer. The qualified intern or apprentice must be paid at least minimum wage. The qualified intern must work at least 60 hours a month for 2 consecutive months, and be a student at a Missouri college or university to be qualified. The apprentice has to have completed at least one full year of a qualified apprenticeship program as approved by the Department of Higher Education and Workforce Development to qualify.

Taxpayers are limited to claiming no more than $9,000 (6 interns or apprentices) a year. The credits are not refundable and cannot be carried forward or back. The total amount of credits that can be claimed in a year is $1,000,000. Should the amount of credits claimed reach the cap then credits should be given to employers who have in been in business less than five years.

This proposal allows the tax credit against the individual income tax return, corporate tax return and property taxes. Property tax is not handled by the Department of Revenue, so for the simplicity of the fiscal note they will assume all of the tax credits will be applied to DOR's income tax returns.

According to information received from the Department of Higher Education and Workforce Development they have 471 active apprenticeship programs in place. Currently 16,983 active apprentices are in those programs. It is unclear how many of those people would meet each of the requirements necessary to be a qualified apprentice under this program. If all of them meet the requirements this would result in $25,474,500 (16,983 apprentices* $1,500 credit) credits eligible to be claimed.

DOR is unable to estimate how many students are currently serving as interns that would qualify for this credit. It appears the full cap of $1,000,000 may be reached annually. This proposal will result in a loss of $1,000,000 in general revenue annually. This starts on January 1, 2024, but will not impact general revenue until FY 2025 when the first tax returns are filed claiming the credit.

This proposal requires that certain conditions are met in order for the taxpayer to qualify for the tax credit. This proposal establishes that DED would do the verification and certification process. DOR assumes they will create the form that DED will use for the certification, so that it can be processed by their scanners. Creation of the form is estimated at $10,000.

This will be a new income tax credit and it would be added to the MO-TC and information about the credit would be added to DOR website and changes would be needed in Missouri's individual income tax computer system. DOR notes the costs to update these items is $7,193.

DOR assumes it can absorb the cost of redeeming the credit with existing staff. Should the number of redemptions from this credit or a combination of other bills passing justify the addition of FTE DOR would seek that FTE through the appropriation process.

- 1 FTE Associate Customer Service Representative for every 6,000 credits redeemed
- 1 FTE Associate Customer Service Representative for every 7,600 errors/correspondence

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero administrative impact for DOR in the fiscal note for this section.

Officials from the **Department of Economic Development (DED)** note:

135.457 creates the "Intern and Apprentice Recruitment Act".

For all tax years beginning on or after January 1, 2024, a taxpayer can claim a tax credit in an amount equal to $1,500 for each intern or apprentice hired at a pay rate equal to or greater than minimum wage. Total amount claimed by a taxpayer cannot exceed $9,000 in any given tax year.

Program cap: $1M per tax year starting with the FY2025 year.

Credits are not refundable, sellable, transferable and do not carry forward.

DED must complete an annual report.

The program will automatically sunset six years after the effective date unless reauthorized by an act of the general assembly.

DED will need to hire 1 FTE to administer the program. Creating a new tax credit will likely reduce annual TSR by up to the annual cap on the program of $1,000,000.

Oversight notes that per U.S. DOL. GOV, Missouri had 13,944 active apprentices across 460 registered programs in 2021. Additionally, same period, Missouri has seen 8,104 new Apprenticeships and 3,235 completed Apprenticeships.

Oversight notes the proposal allows receipt of tax credit for two categories of claims as follow:

- Interns shall work a minimum of sixty hours per month for two consecutive months during the tax year for which the credit is claimed, and

- Apprentices shall complete a minimum of one hundred forty-four hours of work in a calendar year and a copy of the qualified apprenticeship program certification is submitted with the claim for such tax credit.

Oversight notes the tax credit would allow each taxpayer receive credit for up to $9,000 ($9,000/$1,500), reflecting 6 interns or apprentices in any combination thereof.

Oversight notes the term "taxpayer" in this proposal represents any individual, firm, partner in a firm, corporation, partnership, shareholder in an S corporation, or member of a limited liability company subject to the state income tax.

Oversight notes, per section 135.457 5 the cumulative amount of tax credits allowed to all taxpayers under this section shall not exceed one million dollars per tax year.

Oversight notes that the proposal would allow maximum of 667 ($1,000,000 / $1,500) individual, or approximately 111 such an organizations (667/6) to receive this the credit.

Oversight notes that currently there are at least 460 such programs, as noted from the U.S. DOL statistics above. Therefore, **Oversight** will note a range from $0 (no taxpayer claims the tax credit) to $1,000,000 (the tax credit utilization is maximized) in general revenue annually beginning FY 2025 when the first tax returns will be filed to claim the credit.

Oversight assumes that the DED request for 1 FTE (Senior Economic Development Specialist at $74,664 annually) is plausible and will note the cost in the fiscal note beginning in FY 2025 (the first income taxes will be filed in January 2025, 6 month of FY 2025 period) and annually thereafter.

Oversight notes that the proposal states that no tax credit claimed under this section shall be assigned, transferred, sold, carried forward, or otherwise conveyed.

Oversight notes that priority shall be given to taxpayers that have been in business for <u>less than five years</u>, with the remaining tax credits to be distributed based on the order in which they are claimed.

Officials from the **Department of Workforce Development & Higher Education** and **Department of Labor and Industrial Relations** both assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies for this section.

<u>Section 135.465 Federal Work Opportunity Tax Credit</u>

In response to the similar proposal, HB 1345 -2023, officials from the **Office of Administration – Budget & Planning (B&P)** noted:

Starting with tax year 2024, this proposal would grant a tax credit equal to 100% of a taxpayer's federal work opportunity credit (WOTC) or for non-profits equal to 100% of withholdings for qualified employees.

B&P notes that this tax credit is non-refundable, cannot be carried forward, and cannot be transferred, sold, assigned, or otherwise conveyed. B&P also notes that while this credit is granted for tax year 2024, it will not be taken until taxpayers file their annual tax return in FY25.

Based on information published by the U.S. Department of Labor, in federal FY22 there were 2,569,056 employers nationally and 43,820 employers in Missouri certified for a federal WOTC. Table 1 shows the number of national and Missouri certified employers by year.

Table 1: Federal WOTC Claims per Year

Federal FY	US	Missouri	% MO
2022	2,569,056	43,820	1.7%
2021	2,081,474	38,657	1.9%
2020	1,620,806	54,033	3.3%
2019	2,068,417	34,609	1.7%
2018	2,204,142	77,310	3.5%

Based on additional information, total WOTC credits were worth approximately $5 billion in federal FY22. Therefore, B&P estimates that the national average WOTC was about $1,946.24 ($5 billion / 2,569,056 national claims) in federal FY22.

Assuming that the average Missouri credit is similar to the average national credit, B&P estimates that total Missouri credits could be between $67,357,426 ($1,946.24 WOTC x 34,609 employers) and $150,463,828 ($1,946.24 WOTC x 77,310 employers) each year.

Therefore, B&P estimates that this proposal could reduce TSR and GR by $67,357,426 to $150,463,828 annually beginning FY25.

In response to the similar proposal, HB 1345 -2023, officials from the **Department of Revenue (DOR)** noted:

Starting January 1, 2024 a qualified taxpayer shall be allowed to claim a tax credit against their state tax liability for wages paid or incurred by a qualified taxpayer who hired individuals with barriers to employment. The credit is the lessor of:

100% of the federal work opportunity credit claimed for the tax year for the employer; or
The Missouri income tax imposed for that tax year.

These credits are not refundable, not transferrable and are not allowed to be carried forward. The credits do have a sunset date of December 31, 2029. There is no cap on the number of credits that can be issued. It should be noted that these credits will not impact the state until FY 2025 when the first returns are filed claiming the credit.

The Federal Work Opportunity Tax Credit (WOTC) is a federal tax credit available to employers for hiring and employing individuals from certain targeted groups who have faced significant barriers to employment. Those targeted groups include:

- the formerly incarcerated or those previously convicted of a felony;
- recipients of state assistance under part A of title IV of the Social Security Act (SSA);
- veterans;
- residents in areas designated as empowerment zones or rural renewal counties;
- individuals referred to an employer following completion of a rehabilitation plan or program;

- individuals whose families are recipients of supplemental nutrition assistance under the Food and Nutrition Act of 2008;
- recipients of supplemental security income benefits under title XVI of the SSA;
- individuals whose families are recipients of state assistance under part A of title IV of the SSA; and
- individuals experiencing long-term unemployment.

Before receiving the federal credit the employer must be preapproved from the state designated agency, which is the Department of Higher Education and Workforce Development (DHEWD) in Missouri. The preapproval involves verifying that the employee is in one of the targeted groups. Once approved, they can apply for the credit at the federal level. The credit is equal to approximately 40% of the first $6,000 in wages paid with no more than $2,400 per credit. The credit also requires the employee to work a minimum number of hours. If less hours are worked then a lesser amount of credit may be earned.

The Department notes that the state credit is 100% of the federal amount or the amount paid in Missouri income tax. The Department was able to find data on the number of Missouri residents approved by DHEWD to claim the credit.

Federal Fiscal Year	Approved	Denied
2022	43,820	72,929
2021	38,657	67,123
2020	54,033	75,355
2019	34,609	41,062
2018	77,310	109,495
Average	**49,686**	

The Department was unable to determine how many of them actually completed the number of required hours to receive the full amount of the credit. Additionally, the Department was unable to determine the pay of these employees that qualified for the credit. Therefore, for the purposes of the fiscal note only, they assumed that all 49,686 people would qualify for the state credit and that they will only chose to receive the 100% of federal credit for their state credit. Therefore, all 49,686 would tax as their state credit the full $2,400 federal credit amount. This would result in a loss of general revenue of $119,246,400 ($2,400 credit * 49,686 employees) annually.

The Department notes this is a new credit and it would need to be added to the MO-TC form, the website and the individual income tax computer system. This is estimated to cost $7,193.

DOR assumes they will need at least one (1) FTE Associate Customer Service Representative ($31,200) to handle the new credits being redeemed. Additional FTE may be needed in the future if the number of new credit redemptions exceed the following amounts. DOR would ask for additional FTE through the budget process if justified.

- 1 FTE Associate Customer Service Representative for every 6,000 credits redeemed

• 1 FTE Associate Customer Service Representative for every 7,600 errors/correspondence generated

Oversight notes the DOR assumes the need for 1 new FTE (Associate Customer Service Representative at $31,200 annually. However, reserves the right to request additional FTE in future depending on volume of the tax credit redemption. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect the DOR FTE cost in the fiscal note beginning in FY 2025.

Oversight notes the DOR assume one-time cost of $7,193 for the updates to the MO-TC form, the website, and the individual income tax computer system in FY 2024.

Oversight notes Work Opportunity Tax Credit (WOTC), is a federal tax credit available to employers who hire individuals from target groups, which include qualified Veterans, individuals on food stamps and more. (For full list of the individuals, please visit https://www.cmswotc.com/wotc-categories/).

Oversight provides full list of Missouri candidates applying and approved below:

	WOTC Certifications	Currently Pending	Denials	Total Request
2022	43,820	79,650	72,929	196,399
2021	38,657	113,675	67,123	219,455
2020	54,033	657,377	75,355	786,765
2019	34,609	42,986	41,062	118.657
2018	77,310	61,608	109,495	248,413
2017	70,366	67,279	60,774	198,419
2016	34,005	58,770	28,342	121,117
2015	36,745	65,778	31,880	134,403
2014	34,794	77,454	30,201	142,449
Average 2018-2022	**49,686**	191,059	73,193	290,230
Average Percentage	17%		25%	

https://www.cmswotc.com/wotc-categories/

Oversight provides the profile of WOTC certifications in 2022:

Category	Certifications	Certification %
SNAP	28,683	65.4%
Long Term	5,188	11.8%
Qualified Veteran	2,803	6.4%
Designated Community Resident	2,550	5.8%
Ex-Felon	1,602	3.6%
SSI Recipient	887	2.0%
Long Term IV-A (TANF)	817	1.8%
Vocational Rehabilitation	752	1.7%
IV-A (TANF)	411	0.9%
Ticket Holder	96	0.2%
Summer Youth	31	0.1%

https://www.cmswotc.com/wotc-categories/

Oversight notes the proposal allows Missouri employers, after January 1, 2024, receive up to one hundred percent of the federal work opportunity credit properly claimed on such taxpayer's federal income tax return.

Oversight notes currently the maximum cap allowed under I.R.C. §51 is 40% of up to $6,000 wages paid to or incurred on behalf of an individual define within the specified group (as shown above), or $2,400.

Oversight notes in 2022 there was approximately $5 Billion paid to employers for 2,569,056 WOTC certifications filed.

Oversight assume on average employer received $1,946.2 per such a credit ($5B / 2,569,056) in the same year.

Oversight notes there was a yearly average of 49,686 approved application throughout the Missouri from 2018 to 2022. Therefore, Oversight will range the impact from the $96,698,504 ($1,946.2 x 49,686 assuming average payout) to the maximum payout of $119,245,920 ($2,400 x 49,686 assuming maximum payout) beginning FY 2025 (taxpayers are not able apply for this credit till January 1 2024, thus file income tax for the year in FY 2025).

Oversight notes the proposal allows employers, who are exempt from taxation under Section (501) (c) (such as: religious, charitable, scientific, testing for public safety, literary, educational, or other specified purposes and that meet certain) of IRS code to apply using the section as a credit for the payment of taxes that the organization is required to withhold from the wages of employees and pay to the State.

Oversight notes that no tax credit (under this proposal) shall not be transferable, refundable, or carried forward.

In response to the similar proposal, HB 1345 -2023, officials from the **Department of Commerce and Insurance (DCI)** assumed a potential unknown decrease of premium tax revenues (up to the tax credit limit established in the bill) in FY2025 and FY2026 as a result of the creation of the Federal Work Opportunity tax credit. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year and which insurers will qualify for the new tax credit. **Oversight**, for fiscal note simplification purposes, that all credits will be taken against income tax liabilities.

The department will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

<u>Section 135.640 Local Hospital Foundation Tax Credit</u>

In response to the similar proposal, HCS for HB 654 -2023, officials from the **Office of Administration – Budget & Planning (B&P)** assumed this proposal would create a tax credit for qualified donations to a hospital foundation beginning with tax year 2024. The hospital foundation must be a non-profit and provide financial relief for unpaid hospital bills.

An individual may receive a tax credit for 50% of their donation, up to $2,500. B&P notes that this tax credit is only available for individuals. The tax credit is non-refundable and may not be transferred, sold, or otherwise conveyed. The tax credit may be carried forward for up to three years. In addition, a taxpayer may only claim this tax credit if they are not also claiming the donation as a charitable deduction on their state income taxes.

No more than $2 million in credits may be claimed per year. If the amount of tax credits claimed exceeds the $2 million limit, tax credits will be granted on a first-come, first-served basis. This program shall sunset August 28, 2029.

Therefore, B&P estimates that this proposal may reduce TSR and GR by up to $2 million annually beginning in FY 25, for tax year 2024 donations.

In response to the similar proposal, HCS for HB 654 -2023, officials from the **Department of Revenue (DOR)** noted:

Starting January 1, 2024, a tax credit shall be allowed to a taxpayer who makes a contribution to a not-for-profit hospital foundation. The credit shall be 50% of the donation. In order to qualify for the credit the donated amount must have been subtracted from a taxpayer's federal adjusted gross income and added back when calculating Missouri adjusted gross income.

The credit is not refundable, not sellable or transferable but can be carried forward three years. Additionally this credit has an annual cap of $2 million but no taxpayer can receive more than $2,500. Since this starts on January 1, 2024, this will fiscally impact the state starting January 2025 when the first returns are filed claiming the credit.

Fiscal Year	Loss to General Revenue
2024	$0
2025	($2,000,000)
2026+	($2,000,000)

This proposal requires that the taxpayer claiming the credit file an affidavit with their tax return verifying the donation amount. Therefore, the Department would need to verify that the taxpayer met the requirements of this proposal. Additionally, it requires DOR to hand-out the credits on a first-come, first-serve basis. Verification and certification processes are usually handled by other agencies. Once another agency verifies a person's qualifications, they are given a receipt that is attached to the tax return for DOR to process. Requiring DOR to do the verification and certification is outside their normal administrative scope. DOR assumes in order to do this verification the DOR will need 1 FTE Auditor ($49,685) and 2 FTE Associate Customer Service Representatives ($31,200) to do the necessary verifications.

Since this is a new credit, it will need to be added to the MO-TC form, DOR website and its individual income tax computer system will need to be updated. These changes are estimated at $7,193.

Oversight notes the for all tax years beginning on or after January 1, 2024, a qualified taxpayer shall be allowed to claim a tax credit against the taxpayer's state tax liability in an amount equal to the taxpayer's qualified amount, but not exceeding $2,500 donation annually.

Oversight notes this would allow a minimum of 800 (2M/$2,500) taxpayers to take advantage of the tax credit annually.

Oversight notes DOR assumes the need for one (1) Auditor ($49,685) and two (2) Associate Customer Service Representatives ($31,200) to do the verification of the tax credit because it is outside of the DOR usual scope. Additionally, the DOR requests one-time cost of $7,193 for website income tax changes updates to comply with the proposed language. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect the DOR estimated expense for FTE but notes that DOR is appropriated monies for routine Website updates and will not show those costs in the fiscal note.

In response to the similar proposal, HCS for HB 654 -2023, officials from the **Department of Commerce and Insurance** assumed 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 DCI.

Section 135.647 Food Pantry Tax Credit

In response to the similar proposal, HB 653 -2023, officials from the **Office of Administration – Budget & Planning (B&P)** assumed **t**his proposal would increase the annual limit for the food pantry tax credit from $1,750,000 to $3,000,000. B&P notes that this proposal would become effective August 28, 2023. Therefore, B&P assumes that the increase cap would begin in FY24, for tax year 2023. This proposal would also extend the sunset date from 2026 to 2031.

B&P notes that the three-year average redemptions for the food pantry tax credit is $1,543,955. However, redemptions for both FY21 and FY22 were at the annual limit. Therefore, B&P estimates that this proposal may decrease TSR and GR by $1.3 million annually beginning in FY24.

In response to the similar proposal, HB 653 -2023, officials from the **Department of Revenue (DOR)** assumed starting August 28, 2023, this proposal will increase the cap on the food pantry tax credit.

Currently the cap is set at $1,750,000 and it will increase to $3,000,000. This will be a loss to general revenue of $1.25 million starting in FY 2024, the year in which the tax credits will be claimed.

This proposal also extends the sunset on the tax credit another year to 2027.

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. Below is information on the authorization, issuance and redemption of the credits over the last few years.

Year	Issued	Total Redeemed
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	$13,260,808.10	$13,260,808.10

Since this is an existing credit DOR already has the forms in place. DOR will need to update the computer program but will do that with existing resources.

Oversight notes the B&P and DOR both assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero administrative impact in the fiscal note for B&P and DOR for this section.

Oversight notes the proposal, Section 135.647.3, allows for increase in the Food Pantry Tax Credit authorization to up to $3,000,000 annually.

Oversight notes this section currently allows for $1,750,000 annually and extends the sunset date to December 31, 2031 (FY 2032).

Oversight notes DOR provided 12-year history of the Food Pantry Tax Credit and shows average redemptions of $1,537,537 within last 5 years (2018-2022).

Oversight notes the greatest amount of redemption of tax credits were in last two years and total $1,749,992 each year.

Oversight notes the proposal allows for up to $3 million in tax credit annually. Therefore, **Oversight** will note the difference of <u>$1.25 million</u> as a reduction in general revenue as a difference from proposed $3 million and previously allotted $1.75 million for purpose of the fiscal note.

In response to the similar proposal, HB 653 -2023, officials from the **Department of Commerce and Insurance,** the **Department of Economic Development**, the **Department of Higher Education and Workforce Development**, the **Department of Health and Senior Services**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of**

Corrections, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety** (**Office of the Director**, **Capitol Police**, **Alcohol & Tobacco Control**, **Fire Safety**, **Gaming Commission**, **Missouri Highway Patrol**, **Missouri National Guard**, **State Emergency Management Agency** and **Veterans Commission**), the **Department of Social Services**, the **Office of the Governor**, the **Joint Committee on Administrative Rules**, the **Joint Committee on Public Employee Retirement**, the **Missouri Lottery Commission**, the **Missouri Consolidated Health Care Plan**, the **Department of Agriculture**, the **Missouri Department of Conservation**, the **Missouri Ethics Commission**, the **Missouri House of Representatives**, the **Department of Transportation**, the **Office of Prosecution Services**, the **Office of Administration** (**Administrative Hearing Commission** and **Budget and Planning)**, the **Office of the State Courts Administrator**, the **Office of the State Auditor**, the **Missouri Senate**, the **Office of the Secretary of State**, the **Office of the State Public Defender**, and the **Office of the State Treasurer** each assume the proposal will have no fiscal impact on their respective organizations.

In response to the similar proposal, HB 653 -2023, officials from the **Missouri State University** and the **University of Central Missouri** both assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these universities.

In response to the similar proposal, HB 653 -2023, officials from the **City of Springfield**, the **Jackson County**, the **Platte County**, the **Saint Louis County**, the **Jackson County Commissioner**, the **Newton County Health Department**, the **City of Lincoln Assessor**, the **City of Saint Genevieve Assessor,** the **Clay County Auditor**, the **Phelps County Sheriff**, the **City of Kansas City Police Dept**., the **Saint Louis County Police Dept**., the **City of Kansas City Retirement System**, the **Metro Saint Louis Sewer District Employee Pension Plan**, the **Metropolitan St. Louis Sewer District - 7B Sewer**, the **South River Drainage District - 7D Levee**, the **Wayne County Pwsd #2**, the **Hancock Street Light District**, the **Developmental Disabilities Resource Board of St. Charles**, the **Adair County SB 40 DD Board**, and the **Buchanan County SB 40 Board** each assumed the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

In response to the similar proposal, HB 653 -2023, officials from the **Morgan County Pwsd #2** and the **Adair County SB 40 DD Board** both assumed the proposal will have a fiscal impact on their respective organizations. However, the organizations did not provide any specific details of whether the impact would be positive or negative. Therefore, Oversight will note zero impact in the fiscal note for the above organizations.

Section 135.753 Entertainment IndustryTax Credit

In response to the similar proposal, HCS for HB 133 & 583 – 2023, officials from the **Office of Administration – Budget & Planning (B&P)** assumed:

This proposal creates a tax credit for rehearsal expenses and tour expenses for all tax years beginning on or after January 1, 2024. The amount of the tax credit shall be equal to thirty percent of the taxpayer's base investment, subject to limitations as outlined in the proposal. This credit is not refundable and can be carried forward to any of the taxpayer's five subsequent taxable years. These credits can be transferred or sold in whole or in part, provided that the tax credit is transferred or sold to another Missouri taxpayer.

The amount of tax credits available for this program is $8M. If the amount of tax credits applied for by taxpayers exceeds such amount, the DED may authorize additional tax credits in an amount not to exceed $2M, provided that the maximum amount of tax credits that may be authorized during the subsequent fiscal year shall be reduced by the amount of additional tax credits authorized. Therefore, this proposal could lower general revenues by an average of up to $8M beginning in FY2024. However, in any given fiscal year, the amount could be up to or could exceed $10M.

This provision could impact TSR and the calculation under Article X, Section 18(e).
In response to the similar proposal, HCS for HB 133 & 583 – 2023, officials from the **Department of Revenue (DOR)** noted:

This proposal creates the Entertainment Industry Jobs Act, which provides tax credits for businesses in the entertainment industry.

For all tax years beginning on or after January 1, 2024, a taxpayer shall be allowed a tax credit for rehearsal expenses and tour expenses incurred. The amount of the tax credit is equal to thirty percent of the taxpayer’s base investment. This tax credit is nonrefundable but may be carried forward to any of the taxpayer’s five subsequent taxable years. These credits may be transferred or sold. It appears there is not timeframe associated with when the base investment should occur. The Department notes this could allow organizations from the past to claim this credit.

The Department notes the proposal becomes effective on January 1, 2024 (FY 2025). The credits will first be reported on the tax returns filed starting January 1, 2025.

This proposal provides the method by which the taxpayer will apply with the department of economic development for the tax credit, and how this will be reported on the taxpayer’s tax form. It also provides instructions for claiming, transferring, or selling the credits.

This proposal provides that the maximum amount of tax credits authorized under this section is eight million dollars ($8,000,000) per fiscal year. If this amount is exceeded, the department of economic development may, at its own discretion, increase this amount by up to two million additional dollars. If it does this, the amount it was increased by must be subtracted from the amount of credits authorized in the subsequent year. There are limits on the amount any one individual can receive in tax credits.

	Loss to General Revenue
FY 2024	$0
FY 2025	($8,000,000)
FY 2026	($8,000,000)

This would be a new income tax credit and it would need to be added to the MO-TC form, and information about the credit would need to be added to their website. Plus the individual income tax computer system would need to have the credit added to it. DOR notes the costs to update these items is $7,193.

Since the maximum amount of tax credits a taxpayer can receive in a year is $3 million, DOR believes it can handle the redemption of these credits with existing resources. Should the number of additional redemptions from this proposal and any others that pass, exceed 6,000 DOR would need one Associate Customer Service Representative ($31,200). Should the number of redemptions justice additional FTE they will request that FTE through the appropriation process.

Oversight assumes, for purpose of this fiscal note, the Missouri Department of Revenue can absorb the responsibilities of the tax credit program with existing resources. Should a significant increase in tax credit redemptions, tax credit transfers, and/or errors/correspondence occur, the Missouri Department of Revenue may seek additional funds for ITSD updates and FTE through the appropriation process.

Oversight notes that Section 135.753 6. (1) allows up to an additional $2 million in tax credits to be issued beyond the $8 million cap in any given year. Therefore, the total tax credits issued in a given year could reach $10 million. Conversely, the subsequent year shall be reduced by the amount of additional tax credits authorized (perhaps reducing the next year's cap down to $6 million in issuances).

In response to the similar proposal, HCS for HB 133 & 583 – 2023, officials from the **Department of Economic Development (DED)** note:

<u>Section 135.753</u> creates the "Entertainment Industry Jobs Act". Allows a tax credit for rehearsal expenses and tour expenses equal to 30% of the base investment. Base investment is defined as the aggregate funds actually invested and expended by a MO taxpayer as a rehearsal expense or tour expense.

The total amount of tax credits that may be authorized shall not exceed $8M per fiscal year. DED, at its discretion may authorize additional tax credits up to $2M per fiscal year; however, the amount of tax credits that may be authorized during the subsequent fiscal year shall be reduced by the amount of additional tax credits DED authorizes.

This act would become effective on January 1, 2024.

The total amount of tax credits that may be authorized shall not exceed $8M per fiscal year. DED, at its discretion may authorize additional tax credits up to $2M per fiscal year; however, the amount of tax credits that may be authorized during the subsequent fiscal year shall be reduced by the amount of additional tax credits DED authorizes.

The program will automatically sunset on 12/31 six years after the effective date, unless reauthorized.

DED will need to hire 1.0 FTE to administer the act.

In response to the similar proposal, HCS for HB 133 & 583 – 2023, officials from the **Department of Commerce and Insurance (DCI)** assumed this proposal has a potential to cause an unknown decrease of premium tax revenues up to the tax credit limit established in the bill in FY2025 and FY2026, as a result of the creation of the Entertainment Industry Jobs Act tax credit. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year and which insurers will qualify for the new tax credit. **Oversight** will assume, for fiscal note simplification purposes that all credits will be taken against state income taxes.

The department will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Oversight notes the officials from the DCI assumed the proposal will have no administrative impact on their organization. **Oversight** assumes DCI is provided with core funding to handle a certain amount of activity each year. Oversight assumes DCI could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DCI could request funding through the appropriation process. Therefore, **Oversight** will reflect a zero impact in the fiscal note for DCI.

In response to the similar proposal, HCS for HB 133 & 583 – 2023, officials from the **University of Central Missouri** assume the proposal the proposal will have an indeterminate fiscal impact on their organization.

Oversight assumes the University of Central Missouri will not be materially impacted by this proposal.

In response to the similar proposal, HCS for HB 133 & 583 – 2023, officials from the **University of Missouri System**, the **Northwest Missouri State University**, the **Missouri Western State University**, the **City of Kansas City**, the **City of O'Fallon**, the **City of Springfield**, and the **Green County Clerk's** office each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact in the fiscal note for these entities.

<u>Section(s) 135.772, 135.775, & 135.778 Tax Credit For The Production of Biodiesel Fuel</u>

In response to the similar proposal, HB 925 – 2023, officials from the **Office of Administration (B&P)** assumed this proposal would allow taxpayers with a non-calendar year filing timeline to claim the tax credit for their tax year that start in 2022, but ends in 2023. This provision does not change the amount of tax credits that can be authorized. Therefore, B&P estimates that this provision will not impact TSR.

In response to the similar proposal, HB 925 – 2023, officials from the **Department of Revenue (DOR)** noted:

HB 3 adopted in the special session of 2022, created this new tax credit for a retail dealer that sells biodiesel fuel starting with tax year 2023. To qualify as biodiesel fuel it must be a blend of diesel and biodiesel between 5% and 20% for on-road and off-road diesel-fuel vehicle use. Proof that that biodiesel meets ASTM International specifications will need to be provided to the Department. The tax credit was to be equal to two cents ($0.02) per gallon on biodiesel blend of 5% but no more than 10% mix or five cents ($0.05) per gallon sold on a biodiesel blend in excess of 10%.

This tax credit was to begin on January 1, 2023, with the first tax returns claiming the credit being filed starting January 2024 (FY 2024). The tax credit was established with a $16 million cap annually. This credit was established that allowed the cap if reached the credit would be apportioned among all applicants. Additionally, there was a provision that allowed credits not distributed in a year to be rolled over to the biodiesel producers credit for use.

This proposal adds language clarifying which taxpayers in calendar year 2023 would qualify for the credit. DOR does not estimate this change will have any additional impact that was not already accounted for in HB 3's fiscal note.

At this time, the Department doesn't have any information on the number of retailers that may apply for this credit as the filing period has just opened.

Oversight notes DOR and B&P both 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, for this specific section, in the fiscal note.

Section 135.778.2 Biodiesel Producers Tax Credit

In response to the similar proposal, HB 925 – 2023, officials from **Office of Administration – Budget & Planning (B&P)** stated this proposal would increase the authorization limit from $4 million annually to $5.5million annually. This proposal would also allow taxpayers with a non-calendar year filing timeline to claim the tax credit for their tax year that start in 2022, but ends in 2023. This provision does not change the amount of tax credits that can be authorized.

B&P notes that this credit started for tax year 2023, and annual returns have not yet been filed. Therefore, B&P estimates that this provision may decrease TSR and GR by $1.5 million annually starting in FY24.

In response to the similar proposal, HB 925 – 2023, officials from the **Department of Revenue (DOR)** noted:

HB 3 adopted in the special session of 2022, created this new tax credit for a producer of biodiesel fuel. Starting January 1, 2023, it would allow a credit against their state income tax liability in an amount of $0.02 per gallon of biodiesel fuel produced by a Missouri biodiesel producer. The Department noted when the bill was being discussed there were currently 6 producers in the state.

When established the credit had a $4 million annual cap. Additionally, the bill allowed that if the credit cap was reached then the credit would be apportioned among all applicants. It also contained a provision that if the $4 million cap on this credit was not fully used, then the remaining portion of the cap could be distributed to the retailers on their credit.

This proposal adds language clarifying which taxpayers in calendar year 2023 would qualify for the credit. This change will not have any additional fiscal impact.

This proposal removes the $4 million annual cap, the apportionment language in the credit and the provision that allows the credit to be shared with the retailer's credit. This proposal then increases the cap to $5.5 million. This proposal could potentially expand the number of credits that can be issued annually by $1.5 million. At this time, the Department doesn't have any information on the number of producers that may apply for this credit as the filing period has just opened. DOR assume this could result in an increase in the number of credits which would result in an additional $1.5 million loss to general revenue.

These changes will require updating the website, forms and computer programming at a cost of $7,193.

Oversight notes that this proposal, Section 135.778 3 removes the $4 million maximum cap allowing for all applicants who are able to claim the credit and allows for up to $5.5 million cap.

Oversight notes the officials from the DOR & B&P do not have any current information regarding the tax credit claimed under the HB 3 – 2022, which was passed by the general assembly, and signed by the Governor. Therefore, **Oversight** will reflect a range from $0 (reflecting the original $4 million cap was not surpassed by the change in this proposal) to negative $1.5 million ($5.5 million – $4 million) in a possible additional credits claimed in the fiscal note.

Additionally, Oversight will assume DOR's anticipated cost associated with the website updates, forms and computer programming as one time cost $7,193 in FY 2024 could be absorbed within their current appropriations.

In response to the similar proposal, HB 925 – 2023, officials from the **Department of Commerce and Insurance**, the **Department of Natural Resources**, and the **Missouri Department of Agriculture** each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

<u>Section(s) 348.273 & 348.274 Missouri Angel Investment Act</u>

In response to the similar proposal, SCS for SB 413 -2023, officials from the **Department of Revenue (DOR)** and the **Office of Administration – Budget & Planning (B&P)** each assumed the proposed legislation creates the Missouri Angel Investment Incentive Act. Beginning January 1, 2023, a tax credit shall be allowed for fifty-percent of an investor's cash investment in a qualified Missouri business. The Director of the Department of Economic Development and the Missouri Technology Corporation shall not allow tax credits of more than $50,000 for a single business or a total of $250,000 in credits for a single year per investor. The legislation caps the tax credit at $6 million annually beginning January 1, 2023, and ending December 31, 2024, and increases the cap by twenty-percent for each calendar year thereafter so long the total amount of tax credits allowed in the immediately preceding tax year was issued during the immediately preceding tax year beginning January 1, 2025 and ending December 31, 2032. The program shall automatically sunset December 31, 2032 and terminate September 1, 2033.

B&P notes that the $6 million cap is shared between tax years 2023 and 2024. Therefore, it is possible that the full $6 million may be authorized and redeemed for tax year 2023 (FY24) leaving no credits remaining for tax year 2024 (FY25). 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 tax year 2025 (20% x $0 tax year 2024 credits authorized), even if the full $6 million in credits is authorized during the combined two year (2023 and 2024) period.

The following amounts may be allowed annually until the program ends after tax year 2032:

Tax Year	Fiscal Year	Range	Total GR Expense
2023	(FY24)	Up to	$ 6,000,000
2024	(FY25)	Up to	$ -
2025	(FY26)	Up to	$ 7,200,000
2026	(FY27)	Up to	$ 8,640,000
2027	(FY28)	Up to	$ 10,368,000
2028	(FY29)	Up to	$ 12,441,600
2029	(FY30)	Up to	$ 14,929,920
2030	(FY31)	Up to	$ 17,915,904
2031	(FY32)	Up to	$ 21,499,085
2032	(FY33)	Up to	$ 25,798,902

Officials from the **DOR** 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 administrative impact to DOR in the fiscal note.

In response to the similar proposal, SCS for SB 413 -2023, officials from **Department of Economic Development (DED)** noted **s**ection 348.273 creates the Missouri Angel Investment Incentive Act. The tax credit program is primarily administered by the MTC (Missouri Technology Corporation). DED's role is to process and issue tax credits.

The program requires annual qualification of a Missouri business by the Missouri Technology Corporation (MTC) to be eligible for the allocation of tax credits equal to 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 or 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 the congressional districts and for equal distribution each quarter of the year. Any unissued tax credits each quarter become available for equal distribution among the regions, until the fourth quarter, when they can be used for any region.

Following allocation by MTC and the cash investment in a qualified security of a qualified Missouri business by an investor, the Department of Economic Development 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, unless reauthorized by an act of the general assembly.

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, 2023 to December 31, 2024. 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 until December 31, 2032. Qualification and award of projects will be administered by the Missouri Technology Corporation. DED will need to hire 1.0 FTE Senior Economic Development Specialist to administer the program's issuance of tax credits.

Oversight notes as of January 1, 2023, a tax credit shall be allowed for an investor's cash investment in the qualified securities of a qualified Missouri business.

Oversight notes the proposal allows for individual taxpayer to receive up to 50% of the investment amount and apply it towards his or her tax liability.

Oversight notes the HCS allow for investors, as specified in 32.115 subdivision (3) of subsection 2, up to 70% of the investment amount in qualified securities of a qualified Missouri Business. Businesses qualifying for the 70% of investment credits must meet one or more of the following location specifications:

(a) An area that is not part of a standard metropolitan statistical area;

(b) A standard metropolitan statistical area but such county has only one city, town or village which has more than fifteen thousand inhabitants; or

(c) A standard metropolitan statistical area and a substantial number of persons in such county derive their income from agriculture.

Additionally, **Oversight** notes the HCS, specifically Section 348.473.4. (5), allows a 4% fee to be paid to Missouri Technology Corporation for purpose of the promotion of this section. **Oversight** notes the section specifies the MTC may collect such a fee, therefore, Oversight will range the impact from zero (MTC did not collect such a fee) to Unknown amount (MTC collects the fee from the qualified entities).

Lastly, **Oversight** notes the proposal provides guidance of how to appropriate the tax credits throughout the various groups and provides preferential selection procedures of awards.

Oversight notes the proposal does not allow tax credits of more than fifty thousand dollars for a single qualified Missouri business per investor who is a natural person, or a total of two hundred fifty thousand dollars in tax credits for a single year per investor who is a natural person or owner of a permitted entity investor.

Oversight notes the proposal allows for the remaining portion of the credit to be carried forward to any of the five subsequent tax years or until the total amount of the credit is used.

Oversight notes the DED request for one FTE (Senior Economic Development Specialist at $74,664 annually beginning FY 2024 is plausible and will note the estimated cost in the fiscal note.

Oversight notes the B&P & DOR assume the 20% annual increase in the tax credit cap is based on the amount of tax credits allowed in the previous year and could result in no adjustment being allowed to the credit limit for tax year 2025 (20% x $0 tax year 2024 credits authorized), even if the full $6 million in credits is authorized during the combined two year (2023 and 2024) period.

Therefore, **Oversight** will note the full $6 million implementation in FY 2024 and show zero amount of tax credit being authorized in FY 2025.

Lastly, **Oversight** will also reflect the 20% increase in FY 2026 (from $6 million) and note the potential in full utilization of the tax credit each year, and increases of 20% continuance thereafter until the sunset at which time the tax credit cost will be $25,798,902. (FY 2033)

Section 620.3500 thru 620.3530 Missouri Rural Workforce Development Act

In response to the previous version of the proposal, officials from the **Department of Economic Development (DED)** noted:

This proposed legislation requires DED to accept applications from "rural funds" that seek to have an equity investment certified as a "capital investment" eligible for tax credits. A "Rural Fund" is any entity certified by DED under this proposed legislation. A "Capital Investment" is an investment in a rural fund by a rural investor that is acquired after the effective date of this proposed legislation at its original issuance solely in exchange for cash, has one hundred percent (100%) of its cash purchase price used by the rural fund to make qualified investments in eligible businesses located in this state by the third anniversary of the initial credit allowance date, and is designated by the rural fund as a capital investment and certified by DED as a capital investment.

DED notes, upon making a capital investment, a rural investor shall have a vested right to a credit against the investor's state tax liability in an amount equal to the applicable percentage for such credit allowance date multiplied by the purchase price paid to the rural fund for the capital investment. DED states that no eligible business that receives a qualified investment, or any affiliates of such eligible business, shall directly or indirectly own or have the right to acquire an ownership interest in a rural fund.

The program will automatically sunset on 08/28/2029 unless reauthorized by an act of the general assembly.

DED will need to hire 2.0 FTE to administer the program. There will be an estimated cost of $16M per year. Impact to revenue for tax credits starts in FY26 since applicable percentage for first two credits allowance dates are zero. FTE impact starts in FY24.

Oversight will include DED's FTE costs, as reported by DED, less the costs reported for in-state and out-of-state travel, as this proposed legislation does not require DED to inspect or audit any site(s).

In response to the previous version of the proposal, officials from the **Department of Commerce and Insurance (DCI)** assumed the proposal, specifically Section(s) 620.3500 to 620.3530 could affect their agency.

A potential unknown decrease of premium tax revenues (up to the tax credit limit established in the bill) in FY2024, FY2025 and FY2026 as a result of the creation of the Missouri Rural Workforce Development Act tax credit. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year and which insurers will qualify for the new tax credit. **Oversight** will, for fiscal note simplification purposes, that all credits will be taken against state income taxes.

The department will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Oversight notes additional staff and expenses are not being requested by DCI with this single proposal, but if multiple proposals pass during the legislative session which require form reviews, DCI will need to request additional staff to handle the increase in workload. Therefore, Oversight will reflect the no fiscal impact assumed by DCI for fiscal note purposes.

In response to the previous version of the proposal, officials from the **Department of Revenue (DOR)** noted:

This proposal would add new sections 620.3500 to 620.3530, known as the "Missouri Rural Workforce Development Act." It would be administered by DED. DOR is not mentioned in the proposal, but would be responsible for processing the tax credits claimed by taxpayers on returns and coordinate, as necessary, with DED.

Section 620.3515 sets the annual cap for the tax credit at $16 million. The credits are not refundable or sellable.

Section 620.3520 - Authorizes the tax credit, not exceeding the amount of the rural investor's income tax for the year in which the credit is claimed. Unused portions of the credit may be carried forward to the next five tax years but may not be carried back.

Section 620.3520.3 - Sets forth the circumstances under which DED may recapture from a rural investor that claimed the credit. Section 620.3520.4, provides that recaptured credits are to be re-distributed, pro rata, to credit applicants whose allocations were previously reduced. They assume that DED would notify DOR of any recaptured credits. DOR would then recalculate the taxpayer's return and bill the taxpayer for any shortcomings. DOR assumes they could absorb this duty with existing staff should it be necessary for DED to do a recapture of credits.

This proposal would become effective on August 28, 2023. This proposal states that a capital investment is any equity investment in a rural fund by a rural investor and that investment must be made AFTER the effective date of this proposal. After August 28, 2023 potential investors could make the required investments and then file an application with DED along with a $5,000 application fee. Upon certification by DED, the investors would be eligible to receive the tax credit for the six credit allowance dates. Those credit allowance dates are the date of certification and each of the five anniversary dates thereafter. Based on the requirements of the investment, for fiscal note purposes DOR will assume the first date of certification will be January 1, 2024.

This proposal states the tax credit is based on an applicable percentage of the investment. The percentage for the first two years is zero (0%) and each of the next four years the percentage is fifteen percent (15%). Therefore with a certification date of January 1, 2024, the first two years no credits would be issued. Starting January 1, 2026 the first credits would be issued. They could potentially (depending on when issued) be redeemed in that same year.

This will be a loss to general revenue of up to the $16 million cap annually starting in FY 2026.

This would be a new income tax credit and it would be added to the MO-TC and information about the credit would be added to DOR's website and changes would be needed in the individual income tax system. DOR notes the costs to update these items is $7,193. DOR assumes it can absorb this credit with existing staff. Should the number of redemptions/correspondence justify the hiring of additional FTE, the Department will request those FTE through the appropriation process.

1 FTE Associate Customer Service Rep for every 6,000 credits redeemed

- 1 FTE Associate Customer Service Rep for every 7,600 errors/correspondence generated

Oversight notes that DOR assume the proposal will function as follows:

A taxpayer qualifies for a $1 million dollar investment on January 1, 2024. Here is the estimated amount of credit received and when.

YEAR	CREDIT ALLOWANCE DATE	CREDIT AMOUNT
1/1/2024	1	$0
1/1/2025	2	$0
1/1/2026	3	$150,000 ($1,000,000 x 15%)
1/1/2027	4	$150,000 ($1,000,000 x 15%)
1/1/2028	5	$150,000 ($1,000,000 x 15%)
1/1/2029	6	$150,000 ($1,000,000 x 15%)

This will be a loss to general revenue of up to the <u>$16 million cap annually starting in FY 2026</u>.

Oversight notes this proposed legislation would award tax credits to rural investors who have made an equity investment in a rural fund so long as such equity investment is later certified by the Missouri Department of Economic Development as a capital investment.

In order for an equity investment to be certified as a capital investment, a rural fund must apply with the Missouri Department of Economic Development to have the equity investment certified as a capital investment. The applicant must complete an application including the amount of capital investment requested, a copy of the applicants, or the affiliate of the applicant's, license as a Rural Business Investment Company (RBIC) under 7 U.S.C. Section 2009cc (U.S.D.A Rural Business Investment Program) or as a Small Business Investment Company (SBIC) under 15 U.S.C. Section 681 (SBA Small Business Investment Program), evidence that the applicant or affiliates of the applicant have invested at least a) one hundred million dollars ($100,000,000) in nonpublic companies located in counties within the United States with a population of less than fifty thousand, or b) at least thirty million dollars inn nonpublic companies located in Missouri. The business plan that includes a revenue impact assessment, and a nonrefundable application fee of $5,000.

Per the latest available data from the Small Business Investment Company Program Overview, as of September 30, 2021, there were approximately 307 privately owned and managed SBA licensed SBICs.

Table 1: Program Composition of the Types of Operating SBICs					
Type of Operating SBICs	**FY End 2017**	**FY End 2018**	**FY End 2019**	**FY End 2020**	**FY End 2021**
Total Number of Type of Operating SBICs	**315**	**305**	**300**	**302**	**307**
Number of Debenture SBICs	227	227	224	232	235
Number of Participating Security SBICs	33	25	22	12	9
Number of Bank-Owned or Non-Leveraged SBICs	47	47	48	52	56
Number of Specialized SBICs	8	6	6	6	7

Per correspondence received from the United States Department of Agriculture in February 2021, there are approximately 10 certified RBICs. In addition, there have been four (4) investments made in Missouri totaling almost $12,000,000.

Oversight assumes SBICs and RBICs are nationally oriented; various companies may focus on specific regions but no one entity is specific to the State of Missouri.

Oversight notes this proposed legislation states that a capital investment is any equity investment in a rural fund by a rural investor which, is acquired **after** the effective date of this proposed legislation.

Oversight notes this proposed legislation would require applicants under this proposed legislation to submit an application to the Missouri Department of Economic Development accompanied with a nonrefundable $5,000 application fee.

Oversight notes this proposed legislation does not specifically state where the application fee(s) shall be deposited. For the purpose of this fiscal note, Oversight will assume such application fee(s) will be deposited into GR.

Oversight notes the Missouri Department of Economic Development shall begin accepting applications ninety days after the effective date of this proposed legislation. Therefore, Oversight assumes applications, accompanied with the nonrefundable fee of $5,000 could be submitted as early as Fiscal Year 2024.

Therefore, **Oversight** will report a revenue gain to GR equal to $0 (no applications/fee(s) submitted) or $5,000 (one application/fee is submitted) up to $1,585,000 ($5,000 * 307 (# of SBICs) + 10 (# of certified RBICs)) beginning in Fiscal Year 2024.

Oversight notes, once an equity investment is certified as a capital investment, the rural investor shall have a vested right to a tax credit to be issued to be used against the rural investor's state income tax liability that may be utilized on each credit allowance date of such capital investment in an amount equal to the applicable percentage for such credit allowance date multiplied by the purchase price paid to the rural fund.

Oversight, then, assumes the following example describes a tax credit allocation under this proposed legislation:

If Company A were to have $100,000,000 certified as a capital investment on January 1, 2024, Company A's credit allowance date(s) would be: January 1, 2024 (0%), January 1, 2025, (0%) January 1, 2026 (15%), January 1, 2027 (15%), January 1, 2028 (15%), and January 1, 2029 (15%).

Oversight assumes, then, Company A would **not** receive a tax credit (a tax credit equal to zero percent (0%) multiplied by the amount certified as a capital investment) on January 1, 2024 and January 1, 2025.

Each January thereafter, with the last January being January 1, 2029, Company A would receive a tax credit equal to fifteen percent (15%) of the amount certified as a capital investment; or $15,000,000.

Oversight assumes, then, Company A would receive a **total** of $60,000,000 in tax credits over the course of six (6) years to be used throughout a total of eleven (11) years.

Oversight notes the Missouri Department of Economic Development shall begin accepting applications ninety days after the effective date of this proposed legislation. Therefore, Oversight assumes applications could be submitted as early as Fiscal Year 2024.

Oversight assumes, then, based on the tax credit allocation equation created under this proposed legislation, a rural investor could receive a tax credit in an amount greater than zero ($0) beginning two (2) years after the initial certification date; Fiscal Year 2024.

Therefore, **Oversight** estimates the tax credit provision of this proposed legislation could result in a revenue <u>reduction</u> equal to $0 (no certified capital investments) <u>up to $16,000,000</u> (tax credit authorization cap) beginning in Fiscal Year 2026.

Oversight notes this proposed legislation would allow for the recapture of tax credits issued to taxpayers provided rural fund(s) do not meet the requirements established in this proposed legislation.

Oversight notes this proposed legislation states that recaptured tax credits would be reverted to the Missouri Department of Economic Development and be reissued to applicants whose capital investment allocations were reduced in accordance with the application process (authorization cap).

Oversight further notes this proposed legislation does not specifically state where the payment of recaptured tax credits would be deposited. For the purpose of this fiscal note, Oversight will assume recaptured tax credit payments will be deposited into GR with the assumption that the

Missouri Department of Economic Development will distribute the funds for further tax credit authorization(s).

Oversight notes tax credits authorized may be recaptured as early as the third anniversary date. Therefore, Oversight assumes this could be as early as Fiscal Year 2026.

Oversight is unable to determine the actual fiscal impact of the tax credit recapture provision. Therefore, for the purpose of this fiscal note, Oversight will report a revenue gain equal to "$0 to Unknown" and a revenue reduction equal to "$0 or Unknown" beginning in Fiscal Year 2026.

Oversight notes the provisions of this proposed legislation state the Missouri Department of Economic Development shall not accept any new applications for tax credits after 2029.

In response to the previous version of the proposal, officials from the Department Of Higher Education, the **Department of Labor and Industrial Relations**, the **Missouri Department of Agriculture**, the **City of Kansas City**, and the **City of Springfield** each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to the previous version of the bill, 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.

FISCAL IMPACT – State Government	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE			
Revenue Reduction – Section 135.457 "Intern and Apprentice Recruitment Tax Credit maximum cap. (p.5)	$0	Up to ($1,000,000)	Up to ($1,000,000)
Costs – DED FTE – Section 135.457			
Personnel Service	$0	($38,079)	($77,680)
Fringe Benefits	$0	($22,038)	($44,646)
Expense & Equipment	$0	($12,887)	($4,543)
Total Costs – DED (p.5)	$0	($73,004)	($126,869)
FTE Change	$0	1 FTE	1 FTE
Revenue Reduction – Section 135.465 state compliment to the Federal Work Opportunity Tax Credit (p.10)	$0	($96,698,504) Up to ($119,245,920)	($96,698,504) Up to ($119,245,920)
Costs – DOR Section 135.465 FTE			
Personnel Service	$0	($31,824)	($32,460)
Fringe Benefits	$0	($27,195)	($27,427)
Expense & Equipment	($7,193)	$0	$0
Total Costs – DOR (p.8-10)	($7,193)	($59,019)	($59,887)
FTE Change	0 FTE	1 FTE	1 FTE
Revenue Reduction – Section 135.640 – Local Hospital Foundation tax credit (p.12)	$0	Up to ($2,000,000)	Up to ($2,000,000)
Costs – DOR – Section 135.640		Up to…	Up to…
Personnel Service	$0	($114,327)	($116,613)
Fringe Benefits	$0	($88,464)	($89,298)
Expense & Equipment	$0	($30,556)	($1,745)
Total Costs – DOR (p.12)	($0)	($233,347)	($207,656)
FTE Change	0 FTE	Up to 3 FTE	Up to 3 FTE

Revenue Reduction - Section 135.647 3 Food Pantry Tax Credit (p.14)	Up to ($1,250,000)	Up to ($1,250,000)	Up to ($1,250,000)
Revenue Reduction- Section 135.753 Entertainment Industry Jobs Tax Credit (p.17)	$0	Up to ($8,000,000)	Up to ($8,000,000)
Cost – DED – Section 135.753 7. - new FTE to administer the "Entertainment Industry Jobs Act" (p. 4)			
Salary	$0	($76,157)	($77,680)
Fringe Benefits	$0	($44,077)	($44,646)
Equipment & Expense	$0	($15,114)	($4,454)
Total Cost – DED	$0	($135,348)	($126,780)
FTE Change – DED (p.17)		1 FTE	1 FTE
Revenue Reduction – Biodiesel Section 135.778. 3 – changed cap from $4 million to $5.5 million (p.20)	$0 Up to ($1,500,000)	$0 Up to ($1,500,000)	$0 Up to ($1,500,000)
Cost – Section 348.273 - "Missouri Angel Investment Incentive Act Tax Credit" (p.21)	Up to ($6,000,000)	$0	Up to ($7,200,000)
Revenue Gain – Section 348.273 4. (5) Collection of 4% Fees by MTC (may) (p.23)	$0 or Up to $240,000	$0 or Unknown	$0 or Up to $288,000
Costs – DED - 1 FTE			
Personnel Service	($62,220)	($76,157)	($77,680)
Fringe Benefits	($36,265)	($44,076)	($44,646)
Expense & Equipment	($14,299)	($4,455)	($4,544)
Total Costs – DED (p.22)	($112,784)	($124,688)	($126,870)
FTE Change	1 FTE	1 FTE	1 FTE
Revenue Gain- Section 620.3510 – Nonrefundable Application Fee of $5,000 – p. 27	$0 or $5,000 up to $1,555,000	$0 or $5,000 up to $1,555,000	$0 or $5,000 up to $1,555,000

Revenue Reduction – Section 620.3515 – Tax Credit For Certified Capital Investment(s) -(p.26)	$0	$0	$0 up to ($16,000,000)
Revenue Gain – Transfer In – Section 620.3520. 3. – Recapture of Tax Credits From Rural Investor (p. 28)	$0	$0	$0 to Unknown
Revenue Loss – Transfer Out – Section 620.3520 – Recaptured Tax Credits (Re)Allocated to Missouri DED (p.29)	$0	$0	$0 to (Unknown)
Cost – Section(s) 620.3510, 620.3515 & 620.3520 – 2 FTE DED			
Personnel Services	($124,440)	($152,315)	($155,361)
Fringe Benefits	($72,530)	($88,153)	($89,292)
Equipment & Expense	($28,598)	($8,909)	($9,087)
Total Cost	($225,568)	($249,377)	($253,740)
FTE Change – DED (p.24)	2 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	**Up to ($9,090,545)**	**Up to ($132,315,702)**	**Up to ($155,542,722)**
Net FTE Effect on the General Revenue Fund	3 FTE	9 FTE	9 FTE

FISCAL IMPACT – Local Government	FY 2024 (10 Mo.)	FY 2025	FY 2026
	$0	**$0**	**$0**

FISCAL IMPACT – Small Business

This proposed legislation could positively impact any small business that qualifies for a tax credit under this proposed legislation.

FISCAL DESCRIPTION

INTERN AND APPRENTICE RECRUITMENT (Section 135.647)

Beginning January 1, 2024, a taxpayer may claim a tax credit against the taxpayer's state taxes in an amount equal to $1,500 for each intern or apprentice hired at a pay rate equal to or greater than minimum wage, provided that the following criteria are met:

(1) The total number of interns or apprentices employed for the tax year that the credit is claimed exceeds the average number of interns or apprentices employed by the taxpayer over the previous three years;

(2) Interns shall work a minimum of 60 hours per month for two consecutive months during the tax year for which the credit is claimed, and a copy of each intern's official transcript is submitted; and

(3) Apprentices shall complete a minimum of 144 hours of work in a calendar year, and a copy of the qualified apprenticeship program certification is submitted.

The total amount of tax credits claimed by a taxpayer shall not exceed $9,000 in any given tax year. The cumulative amount of tax credits allowed shall not exceed $1 million per tax year. If the amount of tax credits claimed in a tax year exceeds $1 million, priority shall be given to taxpayers that have been in business for less than five years, with the remaining tax credits to be distributed based on the order in which they are claimed.

Tax credits shall not be refundable. No tax credit shall be carried forward to any subsequent tax year. Nor shall any tax credit be assigned, transferred, sold, or otherwise conveyed.

Application for the tax credits shall be made to the Department of Economic Development and shall include information on participation in the qualified apprenticeship program or a copy of the official transcript for the intern being claimed.

FEDERAL WORK OPPORTUNITY TAX CREDIT (Section 135.465)

Beginning January 1, 2024, this bill allows a qualified taxpayer to claim a tax credit for wages paid to an individual with barriers to employment who is employed in the state in an amount equal to the lesser of:

(1) One hundred percent of the federal Work Opportunity Credit claimed by a qualified taxpayer on such taxpayer's federal income tax return with respect to such wages, excluding any amount carried back or forward from another tax year in accordance with Section 39 of the Internal Revenue Code; or

(2) The Missouri income tax imposed for that tax year, except in the case of an employer that is an organization exempt from taxation under Section 501(c) of the Internal Revenue Code.

An employer that is exempt from taxation under Section 501 26 (c) of the Internal Revenue Code may apply the credit towards the payment of taxes that the organization is required to withhold from the wages of employees and required to pay to the state.

Such tax credits shall not be refundable. Nor shall any tax credit be carried forward to any subsequent tax year.

These provisions will sunset on December 31st, six years after the effective date.

LOCAL HOSPITAL FOUNDATIION TAX CREDIT (Section 135.640)
Beginning January 1, 2024, this bill establishes a non-refundable tax credit for local hospital foundation donations. A qualified taxpayer, as defined in the bill, may claim a tax credit in an amount equal to 50% of the value of the donations made to a local hospital foundation. The amount of the tax credit claimed shall not exceed the amount of the taxpayer's state tax liability for the tax year that the credit is claimed and cannot exceed $2,500 per taxpayer claiming the credit. The cumulative amount of tax credits allowed to all taxpayers cannot exceed $2 million per tax year.

This program sunsets 6 years after the effective date.

FOOD PANTRY TAX CREDIT (Section 135.647)

Currently, the cumulative amount of tax credits which may be allocated to all taxpayers contributing to a local food pantry is $1.75 million. This increases the amount to $3 million and extends the sunset from December 31, 2026 to December 31, 2031.

“ENTERTAINMENT INDUSTRY JOBS ACT” (Section 135.753)

Beginning January 1, 2024, a qualified taxpayer shall be allowed a tax credit equal to 30% of the aggregate amount the taxpayer invested and expended as a rehearsal expense or tour expense.

Such investments and expenses are defined in the bill, but with respect to a single employee, aggregate payroll expenses shall not include that portion of an employee's salary that exceeds $2 million in the aggregate for a single tour.

Any unused tax credits provided for under this bill may be transferred or sold by a qualified taxpayer under certain conditions. Otherwise, tax credits under this bill may be taken beginning with the tax year in which the qualified taxpayer has met applicable investment requirements.

The aggregate amount of tax credits awarded in a fiscal year under this bill shall not exceed $8 million.

The provisions set forth under this bill shall be administered by both the Department of Economic Development and the Department of Revenue; the provisions under this bill shall automatically sunset on December 31, six years after the effective date.

TAX CREDITS FOR CERTAIN FUELS (Section(s) 135.772, 135.775, & 135.778)

Current law authorizes a tax credit for all tax years beginning on or after January 1, 2023, for the sale of higher ethanol blend fuel and biodiesel fuel and for the production of biodiesel fuel. This act provides that any taxpayer with a tax year beginning prior to January 1, 2023, but ending during the 2023 calendar year shall be allowed a tax credit for the amount of fuel sold or produced during the portion of such tax year that occurs during the 2023 calendar year.

Additionally, current law authorizing a tax credit for the production of biodiesel fuel limits the maximum amount of tax credits that may be authorized in a fiscal year to $4 million. This act increases such annual limit to $5.5 million and removes a provision requiring the Department of Revenue to apportion tax credits among biodiesel producers applying for such tax credits. (Sections 135.772 to 135.778)

MISSOURI ANGEL INVESTMENT INCENTIVE ACT (Section(s) 348.273 & 348.274)

For all tax years beginning on or after January 1, 2023, this act allows an investor, as defined in the act, to claim a tax credit in an amount equal to fifty percent of the investor's investment in the qualified securities of a qualified Missouri business, as defined in the act. If the amount of the tax credit exceeds the investor's tax liability in any one tax year, the credit may be carried forward for up to five subsequent tax years. No investor shall receive more than fifty thousand dollars in tax credits in a single year for contributions to a single qualified Missouri business, and shall not receive more than two hundred fifty thousand dollars in tax credits in total in a single tax year. A tax credit may be transferred by a qualified investor. The total amount of tax credits authorized in a single tax year by the Missouri Technology Corporation (MTC) shall not exceed six million dollars for the 2023 and 2024 tax years. Thereafter, the maximum amount of tax credits that may be authorized shall 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 shall apply to the MTC, as described in the act. The designation of a business as a qualified Missouri business shall be made annually by the MTC. In addition to other requirements described in the act, a qualified Missouri business shall not have had annual gross revenues of more than five million dollars in the most recent tax year of the business, and the business shall not have been in operation longer than five years if the business is not a bioscience business, or longer than ten years if the business is a bioscience business.

Each business that has been allocated tax credits by the MTC shall submit a report containing certain information, as described in the act, to the MTC before such tax credits are issued.

The state of Missouri shall 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 shall annually review the activities undertaken by this act to ensure they are in compliance with the provisions of the act. If the MTC determines that a business is not in substantial compliance, it may inform the business that such business will lose its designation if it does not come into compliance within one hundred twenty days. If the business does not come into compliance, the MTC may revoke its designation. If a business loses its designation as a qualified Missouri business, it shall be precluded from being allocated any additional tax credits. However, investors in such a business shall be entitled to keep all of the tax credits properly issued prior to the loss of designation by the business.

The MTC shall report certain information annually, as described in the act, to the Department of Economic Development, the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives.

This act shall sunset on December 31, 2032, unless reauthorized by the General Assembly.

MISSOURI RURAL WORKFORCE DEVELOPMENT ACT (Sections 620.3500 thru 620.3530)

This act establishes the "Missouri Rural Workforce Development Act", which provides a tax credit for certain investments made in businesses located in rural areas in this state.

This act allows investors to make capital investments in a rural fund, as defined in the act. Such investors shall be allowed a tax credit for a period of six years beginning with the year the investor made a capital investment. The tax credit shall be equal to a percentage of the capital investment. The percentage shall be zero for the first two years, and fifteen percent for the subsequent four years. Tax credits issued under the act shall not be refundable, but may be carried forward to any of the five subsequent tax years, as described in the act. No more than $16 million dollars in tax credits shall be authorized in a given calendar year.

A rural fund wishing to accept investments as capital investments shall apply to the Department of Economic Development. The application shall include the amount of capital investment requested, a copy of the applicant's license as a rural business or small business investment company, evidence that the applicant has made at least $100 million in investments in nonpublic companies located in counties throughout the United States with a population less than fifty thousand, evidence that the applicant has made at least $30 million in investments in nonpublic companies located in Missouri, and a business plan that includes a revenue impact statement projecting state and local tax revenue to be generated by the applicant's proposed qualified investments, as described in the act. The rural fund shall also submit a nonrefundable application fee of $5,000.

The Department shall grant or deny an application within sixty days of receipt. The Department shall deny an application if such application is incomplete or insufficient, if the revenue impact assessment does not demonstrate that the business plan will result in a positive economic impact on the state over a ten year period, or if the Department has already approved the maximum amount of capital investment authority.

Rural funds shall use capital investments made by investors to make qualified investments, as defined in the act, in eligible businesses. An eligible business is a business that, at the time of the qualified investment, has fewer than two hundred fifty employees and has its principal business operations in the state.

Rural funds shall submit annual reports to the Department, including the name and location of each eligible business receiving a qualified investment, the number of jobs created and jobs retained as a result of qualified investments, the average salary of such jobs, and any other information required by the Department, as described in the act.

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 Revenue
Department of Workforce Development & Higher Education
Department of Labor and Industrial Relations
Department of Economic Development
Office of Administration – Budget & Planning
Department of Revenue
Office of the Secretary of State
Joint Committee on Administrative Rules
Department of Commerce and Insurance

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May 1, 2023

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