

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5481S.01I
Bill No.: SB 1004
Subject: Tax Credits; Economic Development; Department of Economic Development
Type: Original
Date: January 19, 2026

Bill Summary: This proposal establishes the Missouri Angel Investment Incentive Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029	Fully Implemented (FY 2034)
General Revenue*	(\$135,400)	Up to (\$6,238,287)	Up to (\$6,229,243)	Up to (\$15,183,022)
Total Estimated Net Effect on General Revenue	(\$135,400)	Up to (\$6,238,287)	Up to (\$6,229,243)	Up to (\$15,183,022)

*Oversight notes the costs for a new tax credit with a cap of \$6 million and a 20% increase beginning in tax year 2029. Additionally, the above expenditure includes the costs of 1 DOR and 1 DED FTE.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029	Fully Implemented (FY 2034)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029	Fully Implemented (FY 2034)
General Revenue	1 FTE	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on All Federal Funds	1 FTE	2 FTE	2 FTE	2 FTE

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029	Fully Implemented (FY 2033)
Total Estimated Net Effect on FTE	0	0	0	\$0

- ☒ 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 2027	FY 2028	FY 2029	Fully Implemented (FY 2034)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration-Budget & Planning** did not respond to **Oversight's** request for fiscal impact for this proposal.

§§348.273 and 348.274 - Missouri Angel Investment Incentive Act

Officials from the **Department of Revenue (DOR)** assume this creates the Angel Investment Incentive Act which would be a new tax credit program. Beginning January 1, 2027, an investor who makes a cash investment in the qualified securities of a qualified Missouri business shall receive a tax credit worth 40% of the cash investment unless the business is located in a rural county then the credit is 50% of the contribution. This credit is to stop on December 31, 2033. The credit is not refundable but can be carried forward five years.

The Department of Economic Development (DED) and the Missouri Technology Corporation (MTC) are responsible for administration of this credit. They are to make sure that no one company gets more than \$75,000 in credits per investor and that no investor receives more than \$300,000 annually. This program has a \$6 million annual cap in tax years 2027 and 2028. Each year thereafter the cap will be 20% greater than the actual amount issued in the previous year. If all credits are issued annually, this could result in the following tax credit cap amounts in future years.

Tax Year	Fiscal Year Claimed	Cap
2027	FY 2028	(\$6,000,000)
2028	FY 2029	(\$6,000,000)
2029	FY 2030	(\$7,200,000)
2030	FY 2031	(\$8,640,000)
2031	FY 2032	(\$10,368,000)
2032	FY 2033	(\$12,441,600)
2033		\$0 program stopped

This proposal also allows any tax credits not issued in a year to be carried forward and given out in a future year, as long as it is before December 31, 2034 (though the stop day of the program is December 31, 2033). For the simplicity of the fiscal note, DOR will assume all credits are issued in their first year. This will be a loss to general revenue of the cap amount annually.

This proposal will become effective on August 28, 2026, and is allowing the tax credit to start on January 1, 2027. Therefore, the first tax returns filed reporting the credit will be received starting on January 1, 2028 (FY 2028).

These credits require the business to be an approve business by MTC. Additionally, MTC has to approve the distribution of the credits. MTC will issue certificates that the taxpayer can attach to the tax return to redeem the credit. MTC is allowed to charge a fee for the credits. DOR defer to MTC for the impact on the fee.

This will be a new tax credit that has to be added to the MO-TC form (\$2,200), the Department's website and individual income tax computer system (\$1,887). These changes are estimated to cost \$4,087. DOR's existing tax credit staff is no longer able to take on any additional tax credits without additional resources. Due to the intensive knowledge of credits that is needed DOR is not able to use temporary staff to help with processing these returns. This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of \$42,953 (including the years of service pay).

Oversight notes the DOR assumes the need for one-time cost for necessary form and computer changes at \$4,087. Oversight assumes the DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the administrative costs related to this proposal. If multiple bills pass, which require additional staffing and duties at substantial costs, DOR could request funding for the ITSD changes through the appropriation process.

Oversight notes the DOR assume the need for 1 FTE (Associate Customer Service Rep) at \$42,953 annually in the fiscal note beginning FY 2028 to properly administer the tax credit. Oversight does not have any information to the contrary. Therefore, Oversight will reflect the costs for 1 FTE impact in the fiscal note.

Officials from the **Department of Economic Development (DED)** assume §348.273 creates the Missouri Angel Investment Incentive Act. The tax credit program is primarily administered by MTC (Missouri Technology Corporation). DED's role is to process and issue tax credits.

The program requires annual qualification of Missouri business by the Missouri Technology Corporation (MTC) to be eligible for the allocation of tax credits equal 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, the state, or both. MTC would evaluate/allocate/authorize, and the department would issue, whole or partial tax credits based on a report issued to the director of the department from MTC's assessment of the qualified Missouri businesses.

Each year, tax credits shall be reserved for equal distribution among each geographic region during the first 6 months of the year. Any unissued tax credits can be used for any region, after the first 6 months.

This program shall automatically expire on December 31, 2033.

Authorizing the tax credit program could reduce TSR by up to the cap in the amount of \$6,000,000 for the January 1, 2027 to December 31, 2028 years. If the cap is exhausting in preceding years all following tax years shall have the cap increased by twenty percent. The balance of unissued tax credits may be carried over for issuance in future years before December 31, 2035. Qualification and award of projects will be administered by the Missouri Technology Corporation. DED will need to hire 1.0 FTE to administer the program's issuance of tax credits.

Oversight notes the DED assumes the need for 1 FTE (Senior Economic Development Specialist at \$86,712 annually beginning FY 2027. Oversight does not have any information to the contrary. Therefore, Oversight will reflect the costs for 1 FTE impact in the fiscal note.

Oversight notes upon further inquiry in response to similar legislation, SB 1178 (2025), **DED** stated the MTC is a nonprofit created in statute and governed by a 15-member board under §§348.275 RSMo. The MTC has a separate, private bank account, so the funds from the application fee, as provided in §§348.273. 4 (5), would be collected by MTC into their private account. The money collected in fees would not go into any state fund per the proposed legislation.

Oversight notes that the legislation, §348.273. 3(3) denotes:

“The total amount of tax credits that may be allowed under this section shall not exceed six million dollars during either calendar year 2027 or 2028. Beginning in calendar year 2029, the total amount of tax credits allowed under this section shall be annually increased by twenty percent of the total amount of tax credits allowed in the immediately preceding calendar year, so long as the total amount of tax credits allowed in the immediately preceding calendar year was issued during such calendar year.”

Oversight has calculated the following tax credit cap amounts in future years in the following table:

Calendar Year / Tax Year	Tax Credit Awarded	FY Year (filing a tax and redemption)	Tax Credit Award
2027	6,000,000	2028	6,000,000
2028	6,000,000	2029	6,000,000
2029*	7,200,000	2030	7,200,000
2030	8,640,000	2031	8,640,000
2031	10,368,000	2032	10,368,000
2032	12,441,600	2033	12,441,600
2033	14,929,920	2034	14,929,920

*Annual increase of 20% in FY 2029 and fully implemented in TY 2033 (FY 2034).

Beginning in calendar year 2033, the total amount of tax credits allowed shall be increased by twenty percent of the total amount of tax credits allowed in the immediately preceding calendar

year, so long as the total amount of tax credits allowed in the 2032 calendar year was issued. Therefore, Oversight notes that this tax credit, if fully implemented, will reach \$14,929,920 in FY 2034. Therefore, **Oversight** will reflect above calculations in the fiscal note.

Officials from the **Oversight Division** assume the proposal will have no fiscal impact on their organization. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

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.

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.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029	Fully Implemented (FY 2034)
GENERAL REVENUE				
Cost - (§§348.273-348.274) "Missouri Angel Investment Incentive Act Tax Credit" p.5	\$0	Up to (\$6,000,000)	Up to (\$6,000,000)	Up to (\$14,929,920)
Cost – DED (§§348.273-348.274) Adminstrating the program p.6				
Personnel Service	(\$72,260)	(\$88,446)	(\$90,215)	(\$99,605)
Fringe Benefits	(\$42,676)	(\$51,909)	(\$52,620)	(\$58,097)
Expense & Equipment	(\$20,464)	(\$6,676)	(\$6,810)	(\$7,518)
<u>Total Costs – DED</u>	(\$135,400)	(\$147,031)	(\$149,645)	(\$165,220)
FTE Change – DED	1 FTE	1 FTE	1 FTE	1 FTE
Cost – DOR (§§348.273-348.274) Processing of tax credit forms p.5				
Personnel Service	\$0	(\$43,812)	(\$44,688)	(\$49,339)
Fringe Benefits	\$0	(\$33,957)	(\$34,310)	(\$37,881)
Expense & Equipment	\$0	(\$13,487)	(\$600)	(\$662)
<u>Total Costs – DOR</u>	\$0	(\$91,256)	(\$79,598)	(\$87,883)
FTE Change - DOR	0 FTE	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$135,400)</u>	<u>Up to (\$6,238,287)</u>	<u>Up to (\$6,229,243)</u>	<u>Up to (\$15,183,022)</u>
Estimated Net FTE Change on General Revenue	1 FTE	2 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029	Fully Implemented (FY 2034)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

A direct fiscal impact on small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

For all tax years beginning on or after January 1, 2027, this act allows an investor, as defined in the act, to claim a tax credit in an amount equal to forty percent of the investor's investment in the qualified securities of a qualified Missouri business, as defined in the act, or fifty percent of the investor's investment if the qualified Missouri business is located in a rural county, 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 seventy-five thousand dollars in tax credits in a single year for contributions to a single qualified Missouri business, and shall not receive more than three hundred 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 2027 and 2028 calendar 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, 2033, unless reauthorized by the General Assembly. 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
Joint Committee on Administrative Rules
Office of the Secretary of State
Department of Economic Development
Oversight Division



Julie Morff
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January 19, 2026



Jessica Harris
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January 19, 2026