

HB 2170 -- RURAL ECONOMIC DEVELOPMENT

SPONSOR: Gregory

COMMITTEE ACTION: Voted "Do Pass" by the Standing Committee on Rural Community Development by a vote of 6 to 3.

This bill creates the "Missouri Rural Access to Capital Act".

This bill allows investors to make capital investments in a rural fund, as defined in the bill. 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 15% for the subsequent four years. Tax credits shall not be refundable, but may be carried forward to any of the five subsequent tax years. No more than \$16 million 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:

- (1) The amount of capital investment requested;
- (2) A copy of the applicant's license as a rural business or small business investment company;
- (3) 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 50,000;
- (4) Evidence that the applicant has made at least \$30 million in investments in nonpublic companies located in Missouri;
- (5) 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; and
- (6) A \$5,000 nonrefundable application fee.

The Department shall grant or deny an application within 60 days of receipt. The Department shall deny an application if:

- (1) Such application is incomplete or insufficient;

(2) The revenue impact assessment does not demonstrate that the business plan will result in a positive economic impact on the state over a 10 year period; or

(3) 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 in eligible businesses. An eligible business shall:

(1) Have fewer than 250 employees;

(2) Have a principal business operation in Missouri;

(3) Be engaged in certain industries, as specified in the bill; and

(4) Not knowingly employ any individual who is unlawfully present in this country, and is located or has committed to locate in a rural area.

The Department may recapture tax credits in the following ways:

(1) If the rural fund does not invest 60% of its capital investment authority in qualified investments within two years of the credit allowance date, as defined in the bill, and 100% of its capital investment authority within three years, provided that at least 70% of qualified investments shall be made in eligible businesses located in rural areas or eligible businesses that are also agribusinesses; no more than 30% of a qualified investment shall be made in eligible businesses located outside of a rural area;

(2) If the rural fund fails to maintain qualified investments equal to 90% of its capital investment authority in years three through six, as described in the bill, with 70% of such investments in eligible businesses located in rural areas or eligible businesses that are also agribusinesses, provided that no more than 30% of a qualified investment is made in eligible businesses located outside of a rural area. For each year the rural fund fails to maintain such investments, the Department may recapture credits equal to the percentage difference between 90% of a rural fund's capital investment authority and the actual amount of qualified investments maintained for such year, as described in the bill;

(3) If prior to exiting the program or 30 days after the sixth year, whichever is earliest, the rural fund makes a distribution or

payment that results in the fund having less than 100% of its capital investment authority invested in qualified investments; or

(4) If the rural fund violates provisions of the bill.

An eligible business that receives a qualified investment shall not:

(1) Own or have the right to acquire an ownership interest in a rural fund; or

(2) Loan to or invest in a rural fund where the proceeds of such a loan or investments are used to fund or refinance the purchase of a capital investment.

Rural funds shall submit annual reports to the Department, as described in the bill, and shall include the following information:

(1) The name and location of each eligible business receiving a qualified investment;

(2) Bank statements of such rural fund evidencing each qualified investment;

(3) A copy of the written opinion, as described in the bill, or evidence that such business was an eligible business at the time of such qualified investment; and

(4) The total number of new jobs, maintained jobs, new payroll, maintained payroll, new revenue, and maintained revenue by each eligible business receiving a qualified investment from a rural fund;

(5) A revenue impact assessment projecting state and local tax revenue generated and projected to be generated; and

(6) Any other information required by the Department, as specified in the bill.

At any time after the sixth anniversary of the capital investment, a rural fund may apply to the Department to exit the program. The Department shall respond to such application within 15 days. At the time a rural fund exits the program, it shall be required to make a distribution to the state, not to exceed 10% of the amount of tax credits received, if the amount of state and local tax benefits generated by the rural fund's qualified investments are less than the amount of tax credits distributed to the rural fund.

These provisions shall sunset on August 28, 2030.

PROPONENTS: Supporters say that this bill creates a program to infuse capital into rural businesses. Currently, there are programs to help very small and very large businesses access additional capital, but the mid size businesses have difficulty financing business expansions, especially in rural areas. Five states have instituted similar programs and in early stages, are seeing at least a 1:1 return on investment.

Testifying in person for the bill were Representative Gregory; Missouri Rural Crisis Center; Alex Stepaneck, Advantage Capital; Amanda Wright, Sutherland Capital; Missouri Chamber of Commerce and Industry; Association of Missouri Electric Co-Ops; and Missouri Realtors.

OPPONENTS: Those who oppose the bill say that definitions in the bill are too broad and allow the department too much discretion. In addition, the opponents do not believe the recipients of the tax credit should be allowed to carry it forward for up to 5 years.

Testifying in person against the bill was Armorvine.

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under Testimony on the bill page on the House website.