

HCS HB 690 -- TAX INCENTIVES

SPONSOR: Mayhew

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Economic Development by a vote of 8 to 1.

The following is a summary of the House Committee Substitute for HB 690.

Currently, no tax credits for qualified research expenses, as defined in the bill, can be approved, awarded, or issued.

Beginning January 1, 2022, the Director of the Department of Economic Development may authorize a taxpayer a tax credit of up to 10% of a taxpayer's additional qualified research expenses, as defined in the bill, or 17% if the additional research expenses relate to research that is conducted in conjunction with a public or private college or university located in this state. However, no tax credit will be allowed for any portion of qualified research expenses that exceed 200% of the taxpayer's average qualified research expenses incurred during the three immediately preceding tax years.

For tax credits that exceed the taxpayer's tax liability, the difference between the credit and the tax liability may be carried forward for 12 years.

Tax credits provided under this program may be transferred, sold, or assigned by filing a notarized endorsement with the Department of Economic Development (DED) that names the transferee, the amount of tax credit transferred, and the value received for the credit, as well as any other information reasonably requested by the DED. For a taxpayer with flow through tax treatment to its members, partners, or shareholders, the tax credit shall be allowed to members, partners, or shareholders in proportion to their share of ownership on the last day of the taxpayer's tax period.

The annual aggregate cap on the amount of these tax credits that can be authorized by the DED is \$10 million with no single taxpayer being issued or awarded more than \$300,000. Five million dollars worth of the \$10 million cap in tax credits will be reserved for minority business enterprises, women's business enterprises, and small businesses. Any reserved amount not issued or awarded to a minority business enterprise, women's business enterprise, or small business by November 1st of the tax year may be issued to any taxpayer otherwise eligible for a tax credit under this bill.

The provisions of the bill that concern a tax credit for qualified

research expenses sunsets on December 31st, six years after the effective date of this bill unless reauthorized by the General Assembly. (Section 620.1039, RSMo)

Under this bill, for a period of five years, beginning on January 1, 2022, any corporation registered in Missouri described by NAICS codes 332992; 332994; 541715; 624210; 624410; 722511; or NAICS 722513 will be exempt from the corporate income tax (Section 1).

This bill is similar to HB 2651 (2020).

The following is a summary of the public testimony from the committee hearing. The testimony was based on the introduced version of the bill.

PROponents: Supporters say that this will incentivize research to be conducted in the state of Missouri and mitigates some risk associated with research. This is important because technological innovation has a "spill over" effect that benefits everyone. Numerous other states have a similar tax credit and this would help attract existing businesses to the state along with assisting small businesses.

Testifying for the bill were Representative Mayhew; Ray McCarty; Greater St. Louis, Inc; Bio StL; Next Missouri; The Boeing Company; Greater Kansas City Chamber of Commerce; United We; Missouri Chamber of Commerce and Industry.

OPponents: Those who oppose the bill submitted written testimony online.

Testifying against the bill was Arnie Dienoff.

OTHERS: Others testifying on the bill submitted written testimony online.

Testifying on the bill was Kelli Zug.

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