

SENATE COMMITTEE SUBSTITUTE

FOR

SENATE BILL NO. 849

AN ACT

To amend chapter 135, RSMo, by adding thereto one new section relating to tax credits for certain engineering degrees.

Be it enacted by the General Assembly of the State of Missouri, as follows:

Section A. Chapter 135, RSMo, is amended by adding thereto one new section, to be known as section 135.005, to read as follows:

135.005. 1. For the purposes of this section, the following terms shall mean:

(1) "Compensation":

(a) Payments in the form of contract labor for which the payor is required to provide a federal tax form 1099 to the person paid;

(b) Wages that are subject to withholding tax imposed pursuant to sections 143.191 to 143.265 and paid to a part-time employee or full-time employee; and

(c) Any other salary or other remuneration.

"Compensation" shall not include employer-provided retirement, medical or healthcare benefits, reimbursement for travel, meals, lodging, or any other expense;

(2) "Department", the Missouri department of economic development;

(3) "Qualified employer", a sole proprietorship, general partnership, limited partnership, limited liability company, corporation, other legally recognized business entity or public entity registered to do business in this state and whose principal business activity involves the engineering sector;

(4) "Qualified worker", any person newly employed on a full-time basis by or first contracting with a qualified employer on a full-time basis on or after January 1, 2025, who has been awarded an undergraduate or graduate degree, or a technical degree or certificate from a qualified program by a qualified institution;

(5) "Qualified institution", any public or private institution of higher education that is accredited by a regional accrediting body or the engineering accreditation commission of the accreditation board for engineering and technology (ABET);

(6) "Qualified program":

(a) A program that has been accredited by the engineering accreditation commission of the accreditation board for engineering and technology (ABET) or a regional accrediting body and that awards an undergraduate or graduate degree in engineering; or

(b) A program that results in the awarding of a degree or certificate that prepares the graduate for gainful employment with a qualified employer;

(7) "State tax liability", any liability incurred pursuant to the provisions of chapter 143, exclusive of the provisions relating to the withholding of tax as provided for in sections 143.191 to 143.265 and related provisions;

(8) "Tax credit", a credit against the tax otherwise due under chapter 143, excluding withholding tax imposed under sections 143.191 to 143.265;

(9) "Taxpayer", any individual subject to the state income tax imposed under chapter 143, excluding the withholding tax imposed under sections 143.191 to 143.265;

(10) "Tuition", the amount paid for enrollment, program specific course fees, and instruction in a qualified program that includes both amounts paid during participation

in a qualified program or tuition debt upon completion of a qualified program. "Tuition" shall not include the cost of books, fees other than program specific course fees, or room and board.

2. (1) For all tax years beginning on or after January 1, 2025, a qualified employer shall be allowed a tax credit against the qualified employer's state tax liability for tuition reimbursed to a qualified worker.

(2) The tax credit may be claimed only if the qualified worker has been awarded an undergraduate or graduate degree, or technical degree or certificate from a qualified program within one year prior to or following the commencement of employment with a qualified employer, and may be claimed each year thereafter that the qualified worker remains employed or under contract up to the fourth year of such employment or contract.

(3) The tax credit shall be in an amount equal to fifty percent of the tuition reimbursed to a qualified worker during the tax year for which the tax credit is claimed, except that in no event shall the tax credit exceed fifty percent of the average annual amount paid by a qualified worker for enrollment and instruction in a qualified program, as determined by the department.

(4) The tax credit shall be applied against the qualified employer's state tax liability after all other tax credits have been applied. Tax credits authorized by this subsection shall not be transferred, sold, or assigned, and shall not be refundable or carried forward to any other tax year.

3. (1) For all tax years beginning on or after January 1, 2025, a qualified employer shall be allowed a tax credit against the qualified employer's state tax liability for compensation paid during the tax year to a qualified

worker. The tax credit may be allowed for the first through fifth consecutive years of employment or contract of the qualified worker. The tax credit shall be equal to ten percent of the compensation paid.

(2) Tax credits authorized by this subsection shall not exceed fifteen thousand dollars for any single qualified worker in any given tax year, and shall not exceed a total of seventy-five thousand dollars for any single qualified worker.

(3) The tax credit shall be applied against the qualified employer's state tax liability after all other tax credits have been applied. Tax credits authorized by this subsection shall not be transferred, sold, or assigned, and shall not be refundable or carried forward to any other tax year.

(4) No tax credit shall be claimed for compensation paid to a qualified worker after the fifth year of employment or contract of the qualified worker.

4. (1) For all tax years beginning on or after January 1, 2025, a taxpayer who becomes a qualified worker during the tax year shall be allowed a tax credit against the taxpayer's state tax liability in an amount equal to five thousand dollars. The tax credit may be claimed each year the taxpayer achieves the status of a qualified worker for five consecutive tax years beginning with the tax year in which the taxpayer becomes a qualified worker. No taxpayer shall claim tax credits pursuant to this subsection that exceed a total of twenty-five thousand dollars.

(2) Tax credits authorized by this subsection shall not be transferred, sold, or assigned, and shall not be refundable, but may be carried forward to subsequent tax years, provided that a tax credit shall not be carried

forward beyond the fourth tax year succeeding the tax year in which the taxpayer initially claimed the tax credit.

5. (1) The department may adopt rules and regulations necessary or convenient for the implementation and administration of this section. Any rule or portion of a rule, as that term is defined in section 536.010, that is created under the authority delegated in this section shall become effective only if it complies with and is subject to all of the provisions of chapter 536 and, if applicable, section 536.028. This section and chapter 536 are nonseverable and if any of the powers vested with the general assembly pursuant to chapter 536 to review, to delay the effective date, or to disapprove and annul a rule are subsequently held unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted after August 28, 2024, shall be invalid and void.

(2) The department shall annually submit a written report to the general assembly containing information regarding the cost and effectiveness of the provisions of this section. The department also may include in the report any recommendations for changes to state law necessary to implement the provisions of this section.

6. Pursuant to section 23.253 of the Missouri sunset act:

(1) The program authorized pursuant to this section shall automatically sunset on December 31, 2030, unless reauthorized by an act of the general assembly; and

(2) If such program is reauthorized, the program authorized pursuant to this section shall automatically sunset twelve years after the effective date of the reauthorization; and

(3) This section shall terminate on September first of the calendar year immediately following the calendar year in

which the program authorized pursuant to this section is sunset; and

(4) The provisions of this subsection shall not be construed to limit or in any way impair the department's ability to redeem tax credits authorized on or before the date the program authorized pursuant to this section expires, or a taxpayer's ability to redeem such tax credits.