

FIRST REGULAR SESSION

# SENATE BILL NO. 91

97TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR JUSTUS.

Pre-filed December 28, 2012, and ordered printed.

TERRY L. SPIELER, Secretary.

0169S.03I

## AN ACT

To repeal section 135.680, RSMo, and to enact in lieu thereof three new sections relating to tax credits for investors.

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

Section A. Section 135.680, RSMo, is repealed and three new sections  
2 enacted in lieu thereof, to be known as sections 135.680, 348.273, and 348.274,  
3 to read as follows:

135.680. 1. As used in this section, the following terms shall mean:

2 (1) "Adjusted purchase price", the product of:

3 (a) The amount paid to the issuer of a qualified equity investment for such  
4 qualified equity investment; and

5 (b) The following fraction:

6 a. The numerator shall be the dollar amount of qualified low-income  
7 community investments held by the issuer in this state as of the credit allowance  
8 date during the applicable tax year; and

9 b. The denominator shall be the total dollar amount of qualified  
10 low-income community investments held by the issuer in all states as of the credit  
11 allowance date during the applicable tax year;

12 c. For purposes of calculating the amount of qualified low-income  
13 community investments held by an issuer, an investment shall be considered held  
14 by an issuer even if the investment has been sold or repaid; provided that the  
15 issuer reinvests an amount equal to the capital returned to or recovered by the  
16 issuer from the original investment, exclusive of any profits realized, in another  
17 qualified low-income community investment within twelve months of the receipt  
18 of such capital. An issuer shall not be required to reinvest capital returned from

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.**

19 qualified low-income community investments after the sixth anniversary of the  
20 issuance of the qualified equity investment, the proceeds of which were used to  
21 make the qualified low-income community investment, and the qualified  
22 low-income community investment shall be considered held by the issuer through  
23 the seventh anniversary of the qualified equity investment's issuance;

24 (2) "Applicable percentage", zero percent for each of the first two credit  
25 allowance dates, seven percent for the third credit allowance date, and eight  
26 percent for the next four credit allowance dates;

27 (3) "Credit allowance date", with respect to any qualified equity  
28 investment:

29 (a) The date on which such investment is initially made; and

30 (b) Each of the six anniversary dates of such date thereafter;

31 (4) "Long-term debt security", any debt instrument issued by a qualified  
32 community development entity, at par value or a premium, with an original  
33 maturity date of at least seven years from the date of its issuance, with no  
34 acceleration of repayment, amortization, or prepayment features prior to its  
35 original maturity date, and with no distribution, payment, or interest features  
36 related to the profitability of the qualified community development entity or the  
37 performance of the qualified community development entity's investment  
38 portfolio. The foregoing shall in no way limit the holder's ability to accelerate  
39 payments on the debt instrument in situations where the issuer has defaulted on  
40 covenants designed to ensure compliance with this section or Section 45D of the  
41 Internal Revenue Code of 1986, as amended;

42 (5) "Qualified active low-income community business", the meaning given  
43 such term in Section 45D of the Internal Revenue Code of 1986, as amended;  
44 provided that any business that derives or projects to derive fifteen percent or  
45 more of its annual revenue from the rental or sale of real estate shall not be  
46 considered to be a qualified active low-income community business;

47 (6) "Qualified community development entity", the meaning given such  
48 term in Section 45D of the Internal Revenue Code of 1986, as amended; provided  
49 that such entity has entered into an allocation agreement with the Community  
50 Development Financial Institutions Fund of the U.S. Treasury Department with  
51 respect to credits authorized by Section 45D of the Internal Revenue Code of  
52 1986, as amended, which includes the state of Missouri within the service area  
53 set forth in such allocation agreement;

54 (7) "Qualified equity investment", any equity investment in, or long-term

55 debt security issued by, a qualified community development entity that:

56 (a) Is acquired after September 4, 2007, at its original issuance solely in  
57 exchange for cash;

58 (b) Has at least eighty-five percent of its cash purchase price used by the  
59 issuer to make qualified low-income community investments; and

60 (c) Is designated by the issuer as a qualified equity investment under this  
61 subdivision and is certified by the department of economic development as not  
62 exceeding the limitation contained in subsection 2 of this section. This term shall  
63 include any qualified equity investment that does not meet the provisions of  
64 paragraph (a) of this subdivision if such investment was a qualified equity  
65 investment in the hands of a prior holder;

66 (8) "Qualified low-income community investment", any capital or equity  
67 investment in, or loan to, any qualified active low-income community  
68 business. With respect to any one qualified active low-income community  
69 business, the maximum amount of qualified low-income community investments  
70 made in such business, on a collective basis with all of its affiliates, that may be  
71 used from the calculation of any numerator described in subparagraph a. of  
72 paragraph (b) of subdivision (1) of this subsection shall be ten million dollars  
73 whether issued to one or several qualified community development entities;

74 (9) "Tax credit", a credit against the tax otherwise due under chapter 143,  
75 excluding withholding tax imposed in sections 143.191 to 143.265, or otherwise  
76 due under section 375.916 or chapter 147, 148, or 153;

77 (10) "Taxpayer", any individual or entity subject to the tax imposed in  
78 chapter 143, excluding withholding tax imposed in sections 143.191 to 143.265,  
79 or the tax imposed in section 375.916 or chapter 147, 148, or 153.

80 2. A taxpayer that makes a qualified equity investment earns a vested  
81 right to tax credits under this section. On each credit allowance date of such  
82 qualified equity investment the taxpayer, or subsequent holder of the qualified  
83 equity investment, shall be entitled to a tax credit during the taxable year  
84 including such credit allowance date. The tax credit amount shall be equal to the  
85 applicable percentage of the adjusted purchase price paid to the issuer of such  
86 qualified equity investment. The amount of the tax credit claimed shall not  
87 exceed the amount of the taxpayer's state tax liability for the tax year for which  
88 the tax credit is claimed. No tax credit claimed under this section shall be  
89 refundable or transferable. Tax credits earned by a partnership, limited liability  
90 company, S-corporation, or other pass-through entity may be allocated to the

91 partners, members, or shareholders of such entity for their direct use in  
92 accordance with the provisions of any agreement among such partners, members,  
93 or shareholders. Any amount of tax credit that the taxpayer is prohibited by this  
94 section from claiming in a taxable year may be carried forward to any of the  
95 taxpayer's five subsequent taxable years. The department of economic  
96 development shall limit the monetary amount of qualified equity investments  
97 permitted under this section to a level necessary to limit tax credit utilization at  
98 no more than twenty-five million dollars of tax credits in any fiscal year. Such  
99 limitation on qualified equity investments shall be based on the anticipated  
100 utilization of credits without regard to the potential for taxpayers to carry  
101 forward tax credits to later tax years.

102 3. The issuer of the qualified equity investment shall certify to the  
103 department of economic development the anticipated dollar amount of such  
104 investments to be made in this state during the first twelve-month period  
105 following the initial credit allowance date. If on the second credit allowance date,  
106 the actual dollar amount of such investments is different than the amount  
107 estimated, the department of economic development shall adjust the credits  
108 arising on the second allowance date to account for such difference.

109 4. The department of economic development shall recapture the tax credit  
110 allowed under this section with respect to such qualified equity investment under  
111 this section if:

112 (1) Any amount of the federal tax credit available with respect to a  
113 qualified equity investment that is eligible for a tax credit under this section is  
114 recaptured under Section 45D of the Internal Revenue Code of 1986, as amended;  
115 or

116 (2) The issuer redeems or makes principal repayment with respect to a  
117 qualified equity investment prior to the seventh anniversary of the issuance of  
118 such qualified equity investment. Any tax credit that is subject to recapture shall  
119 be recaptured from the taxpayer that claimed the tax credit on a return.

120 5. The department of economic development shall promulgate rules to  
121 implement the provisions of this section, including recapture provisions on a  
122 scaled proportional basis, and to administer the allocation of tax credits issued  
123 for qualified equity investments, which shall be conducted on a first-come,  
124 first-serve basis. Any rule or portion of a rule, as that term is defined in section  
125 536.010, that is created under the authority delegated in this section shall  
126 become effective only if it complies with and is subject to all of the provisions of

127 chapter 536 and, if applicable, section 536.028. This section and chapter 536 are  
128 nonseverable and if any of the powers vested with the general assembly pursuant  
129 to chapter 536 to review, to delay the effective date, or to disapprove and annul  
130 a rule are subsequently held unconstitutional, then the grant of rulemaking  
131 authority and any rule proposed or adopted after September 4, 2007, shall be  
132 invalid and void.

133 [6. For fiscal years following fiscal year 2010, qualified equity investments  
134 shall not be made under this section unless reauthorization is made pursuant to  
135 this subsection. For all fiscal years following fiscal year 2010, unless the general  
136 assembly adopts a concurrent resolution granting authority to the department of  
137 economic development to approve qualified equity investments for the Missouri  
138 new markets development program and clearly describing the amount of tax  
139 credits available for the next fiscal year, or otherwise complies with the  
140 provisions of this subsection, no qualified equity investments may be permitted  
141 to be made under this section. The amount of available tax credits contained in  
142 such a resolution shall not exceed the limitation provided under subsection 2 of  
143 this section. In any year in which the provisions of this section shall sunset  
144 pursuant to subsection 7 of this section, reauthorization shall be made by general  
145 law and not by concurrent resolution. Nothing in this subsection shall preclude  
146 a taxpayer who makes a qualified equity investment prior to the expiration of  
147 authority to make qualified equity investments from claiming tax credits relating  
148 to such qualified equity investment for each applicable credit allowance date.

149 7. Under section 23.253 of the Missouri sunset act:

150 (1) The provisions of the new program authorized under this section shall  
151 automatically sunset six years after September 4, 2007, unless reauthorized by  
152 an act of the general assembly; and

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

156 (3) This section shall terminate on September first of the calendar year  
157 immediately following the calendar year in which the program authorized under  
158 this section is sunset. However, nothing in this subsection shall preclude a  
159 taxpayer who makes a qualified equity investment prior to sunset of this section  
160 under the provisions of section 23.253 from claiming tax credits relating to such  
161 qualified equity investment for each credit allowance date.]

**348.273. 1. This section and section 348.274 shall be known and**

2 may be cited as the "Missouri Angel Investment Incentive Act".

3 2. As used in this section and section 348.274, the following terms  
4 mean:

5 (1) "Cash investment", money or money equivalent contribution;

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

7 (3) "Investor":

8 (a) A natural person who is an accredited investor as defined in  
9 17 CFR 230.501(a)(5) or 17 CFR 230.501(a)(6), as in effect on August 28,  
10 2013;

11 (b) A permitted entity investor who is an accredited investor as  
12 defined in 17 CFR 230.501(a)(8), as in effect on August 28, 2013; or

13 (c) A natural person or permitted entity investor making an  
14 investment that is permitted under the Jumpstart Our Business  
15 Startups Act, Pub. L. No. 112-106, Sections 301-305, 126 Stat. 315-323, as  
16 in effect on August 28, 2013.

17 A person who serves as an executive, officer, or employee of the  
18 business in which an otherwise qualified cash investment is made is not  
19 an investor and such person shall not qualify for the issuance of tax  
20 credits for such investment;

21 (4) "Owner", any natural person who is, directly or indirectly, a  
22 partner, stockholder, or member in a permitted entity investor;

23 (5) "Permitted entity investor", any general partnership, limited  
24 partnership, small corporation described in section 143.471, revocable  
25 living trust, or limited liability company that has elected to be taxed as  
26 a partnership under the United States internal revenue code, and that  
27 was established and is operated for the purpose of making investments  
28 in other entities;

29 (6) "Qualified knowledge-based company", a company based on  
30 the use of ideas and information to provide innovative technologies,  
31 products, and services;

32 (7) "Qualified Missouri business", the Missouri businesses that  
33 are approved and certified as qualified knowledge-based companies by  
34 the regional SBTDC that meet at least one of the following criteria:

35 (a) Any business owned by an individual;

36 (b) Any partnership, association, or corporation domiciled in  
37 Missouri; or

38 (c) Any corporation, even if a wholly owned subsidiary of a

39 foreign corporation, that does business primarily in Missouri or does  
40 substantially all of such business's production in Missouri;

41 (8) "Qualified securities", a cash investment through any one or  
42 more forms of financial assistance as provided in this subdivision and  
43 that have been approved in form and substance by the  
44 department. Forms of such financial assistance include:

45 (a) Any form of equity, such as:

46 a. A general or limited partnership interest;

47 b. Common stock;

48 c. Preferred stock, with or without voting rights, without regard  
49 to seniority position, and whether or not convertible into common  
50 stock; or

51 d. Any form of subordinate or convertible debt, or both, with  
52 warrants or other means of equity conversion attached; or

53 (b) A debt instrument, such as a note or debenture that is  
54 secured or unsecured, subordinated to the general creditors of the  
55 debtor and requires no payments of principal, other than principal  
56 payments required to be made out of any future profits of the debtor,  
57 for at least a seven-year period after commencement of such debt  
58 instrument's term;

59 (9) "SBTDC", the Missouri small business and technology  
60 development center; and

61 (10) "Tax credit", a credit against the tax otherwise due under  
62 chapter 143, excluding withholding tax imposed by sections 143.191 to  
63 143.265.

64 3. The Missouri angel investment incentive act shall be  
65 administered by the regional SBTDCs and the department, with the  
66 primary goal of encouraging individuals to provide seed-capital  
67 financing for emerging Missouri businesses engaged in the  
68 development, implementation, and commercialization of innovative  
69 technologies, products, and services. Each regional SBTDC shall  
70 establish a regional committee consisting of no fewer than three but no  
71 more than five persons for the purpose of reviewing applications from  
72 businesses requesting designation as a qualified Missouri business and  
73 allocating the amount of available tax credits among the qualified  
74 Missouri businesses. The department shall establish its own rules of  
75 procedure, including the form and substance of applications to be used

76 by each regional SBTDC and the criteria to be considered by each  
77 regional SBTDC when evaluating a qualified Missouri business, such  
78 applications and criteria to be not less than the minimum requirements  
79 set forth in subsection 5 of this section. The department shall issue tax  
80 credits to qualified investors that make cash investments in qualified  
81 Missouri businesses that have been allocated available tax credits by  
82 a regional SBTDC.

83 4. (1) A tax credit shall be allowed for an investor's cash  
84 investment in the qualified securities of a qualified Missouri  
85 business. The credit shall be in a total amount equal to fifty percent of  
86 such investor's cash investment in any qualified Missouri business,  
87 subject to the limitations set forth in this subsection. This tax credit  
88 may be used in its entirety in the taxable year in which the cash  
89 investment is made except that no tax credit shall be allowed in a year  
90 prior to the year beginning January 1, 2014. If the amount by which  
91 that portion of the credit allowed by this section exceeds the investor's  
92 liability in any one taxable year, the remaining portion of the credit  
93 may be carried forward five years or until the total amount of the  
94 credit is used, whichever occurs first. If the investor is a permitted  
95 entity investor, the credit provided by this section shall be claimed by  
96 the owners of the permitted entity investor in proportion to their  
97 equity investment in the permitted entity investor.

98 (2) A cash investment in a qualified security shall be deemed to  
99 have been made on the date of acquisition of the qualified security, as  
100 such date is determined in accordance with the provisions of the  
101 Internal Revenue Code of 1986, as amended.

102 (3) The director of the department of revenue shall not allow tax  
103 credits of more than fifty thousand dollars for a single qualified  
104 Missouri business or a total of two hundred fifty thousand dollars in  
105 tax credits for a single year per investor who is a natural person or  
106 owner of a permitted entity investor. No tax credits authorized by this  
107 section and section 348.274 shall be allowed for any cash investments  
108 in qualified securities for any year beginning after December 31,  
109 2024. The total amount of tax credits allocated under this section shall  
110 not exceed six million dollars per year. The balance of unissued tax  
111 credits may be carried over for issuance in future years until December  
112 31, 2024.



113           **(4) At the beginning of each calendar year, the department shall**  
114 **equally designate the tax credits available during that year to each**  
115 **regional SBTDC. At the beginning of each calendar quarter, the**  
116 **department shall allocate to each regional SBTDC one-fourth of the**  
117 **total tax credits designated to such regional SBTDC for the calendar**  
118 **year such that the regional SBTDC can allocate tax credits among the**  
119 **qualified Missouri businesses. The department shall then issue tax**  
120 **credits to qualified investors for cash investments in such qualified**  
121 **Missouri businesses during that calendar quarter.**

122           **(5) At the end of each calendar quarter, each regional SBTDC**  
123 **shall report to the department any unallocated tax credits for the**  
124 **preceding quarter. Such report shall meet the requirements set forth**  
125 **in section 348.274. The department shall aggregate all such tax credits**  
126 **and reallocate them equally among the regional SBTDCs as soon as**  
127 **possible during the next consecutive calendar quarter. Each regional**  
128 **SBTDC shall receive such reallocation in addition to the new allocation**  
129 **of designated tax credits for such quarter.**

130           **(6) During the fourth calendar quarter, a regional SBTDC in**  
131 **need of additional tax credits for transactions closing in the fourth**  
132 **calendar quarter may request that another regional SBTDC with**  
133 **unallocated tax credits permit such unallocated tax credits to be**  
134 **allocated by the requesting SBTDC. No regional SBTDC shall be**  
135 **required to grant such request. When a granting SBTDC transfers the**  
136 **allocation of the unallocated tax credits to a requesting SBTDC under**  
137 **this subdivision, the granting SBTDC shall provide to the requesting**  
138 **SBTDC a written confirmation authorizing such transfer, the granting**  
139 **SBTDC shall include a copy of such written confirmation in its reports**  
140 **provided under section 348.274, and the requesting SBTDC shall include**  
141 **a copy of such written confirmation in its reports provided under**  
142 **section 348.274.**

143           **5. (1) Before an investor may be entitled to receive tax credits**  
144 **under this section and section 348.274, such investor shall have made**  
145 **a cash investment in a qualified security of a qualified Missouri**  
146 **business. The business shall have been approved by a regional SBTDC**  
147 **as a qualified Missouri business before the date on which the cash**  
148 **investment was made. To be designated as a qualified Missouri**  
149 **business, a business shall make application to a regional SBTDC in**

150 accordance with the provisions of this section.

151           (2) The application by a business to a regional SBTDC shall be  
152 in the form and substance as required by the department, but shall  
153 include at least the following:

154           (a) The name of the business and certified copies of the  
155 organizational documents of the business;

156           (b) A business plan, including a description of the business and  
157 the management, product, market, and financial plan of the business;

158           (c) A statement of the potential economic impact of the  
159 enterprise, including the number, location, and types of jobs expected  
160 to be created;

161           (d) A description of the qualified securities to be issued, the  
162 consideration to be paid for the qualified securities, and the amount of  
163 any tax credits requested;

164           (e) A statement of the amount, timing, and projected use of the  
165 proceeds to be raised from the proposed sale of qualified securities;  
166 and

167           (f) Such other information as the regional SBTDC or the  
168 department may reasonably request.

169           (3) The designation of a business as a qualified Missouri business  
170 shall be made by the regional SBTDC, and such designation shall be  
171 renewed annually. A business shall be so designated if the regional  
172 SBTDC determines, based upon the application submitted by the  
173 business and any additional investigation the regional SBTDC shall  
174 make, that such business meets the criteria established by the  
175 department. Such criteria shall include at least the following:

176           (a) The business shall not have had annual gross revenues of  
177 more than five million dollars in the most recent tax year of the  
178 business;

179           (b) Businesses that are not bioscience businesses shall have been  
180 in operation for less than five years, and bioscience businesses shall  
181 have been in operation for less than ten years;

182           (c) The ability of investors in the business to receive tax credits  
183 for cash investments in qualified securities of the business is beneficial,  
184 because funding otherwise available for the business is not available  
185 on commercially reasonable terms;

186           (d) The business shall not have ownership interests including,

187 **but not limited to, common or preferred shares of stock, that can be**  
188 **traded via a public stock exchange before the date that a qualifying**  
189 **investment is made;**

190 **(e) The business shall not be engaged primarily in any one or**  
191 **more of the following enterprises:**

192 **a. The business of banking, savings and loan or lending**  
193 **institutions, credit or finance, or financial brokerage or investments;**

194 **b. The provision of professional services, such as legal,**  
195 **accounting, or engineering services;**

196 **c. Governmental, charitable, religious, or trade organizations;**

197 **d. The ownership, development brokerage, sales, or leasing of**  
198 **real estate;**

199 **e. Insurance;**

200 **f. Construction or construction management or contracting;**

201 **g. Business consulting or brokerage;**

202 **h. Any business engaged primarily as a passive business, having**  
203 **irregular or noncontinuous operations, or deriving substantially all of**  
204 **the income of the business from passive investments that generate**  
205 **interest, dividends, royalties, or capital gains, or any business**  
206 **arrangements the effect of which is to immunize an investor from risk**  
207 **of loss;**

208 **i. Any activity that is in violation of the law;**

209 **j. Any business raising money primarily to purchase real estate,**  
210 **land, or fixtures; and**

211 **k. Any gambling related business;**

212 **(f) The business has a reasonable chance of success;**

213 **(g) The business has the reasonable potential to create**  
214 **measurable employment within the region, this state, or both;**

215 **(h) The business has an innovative and proprietary technology,**  
216 **product, or service;**

217 **(i) The existing owners of the business and other founders have**  
218 **made or are committed to make a substantial financial and time**  
219 **commitment to the business;**

220 **(j) The securities to be issued and purchased are qualified**  
221 **securities;**

222 **(k) The business has the reasonable potential to address the**  
223 **needs and opportunities specific to the region or this state, or both;**

224 (l) The business has made binding commitments to the regional  
225 SBTDC for adequate reporting of financial data, including a  
226 requirement for an annual report, or, if required by the regional  
227 SBTDC, an annual audit of the financial and operational records of the  
228 business, the right of access to the financial records of the business,  
229 and the right of the regional SBTDC to record and publish normal and  
230 customary data and information related to the issuance of tax credits  
231 that are not otherwise determined to be trade or business secrets; and

232 (m) The business shall satisfy all other requirements of this  
233 section and section 348.274.

234 (4) Notwithstanding the requirements of subdivision (3) of this  
235 subsection, a business may be considered as a qualified Missouri  
236 business under the provisions of this section and section 348.274 if such  
237 business falls within a standard industrial classification code  
238 established by the department.

239 (5) A qualified Missouri business shall have the burden of proof  
240 to demonstrate to the regional SBTDC the qualifications of the business  
241 under this section.

242 6. Any rule or portion of a rule, as that term is defined in section  
243 536.010 that is created under the authority delegated in this section  
244 and section 348.274 shall become effective only if it complies with and  
245 is subject to all of the provisions of chapter 536, and, if applicable,  
246 section 536.028. This section and chapter 536 are nonseverable and if  
247 any of the powers vested with the general assembly pursuant to chapter  
248 536, to review, to delay the effective date, or to disapprove and annul  
249 a rule are subsequently held unconstitutional, then the grant of  
250 rulemaking authority and any rule proposed or adopted after August  
251 28, 2013, shall be invalid and void.

348.274. 1. (1) Each regional SBTDC is authorized to allocate tax  
2 credits to qualified Missouri businesses. The department is authorized  
3 to issue tax credits to qualified investors in such qualified Missouri  
4 businesses. Such tax credits shall be allocated to those qualified  
5 Missouri businesses which, as determined by the regional SBTDC, are  
6 most likely to provide the greatest economic benefit to the region, the  
7 state, or both. The regional SBTDC may allocate, and the department  
8 may issue, whole or partial tax credits based on the regional SBTDC's  
9 assessment of the qualified Missouri businesses. The regional SBTDC

10 may consider numerous factors in such assessment, including but not  
11 limited to, the quality and experience of the management team, the size  
12 of the estimated market opportunity, the risk from current or future  
13 competition, the ability to defend intellectual property, the quality and  
14 utility of the business model, and the quality and reasonableness of  
15 financial projections for the business.

16 (2) Each qualified Missouri business for which a regional SBTDC  
17 has allocated tax credits such that the department can issue tax credits  
18 to the qualified investors of such qualified Missouri business shall  
19 submit to the regional SBTDC a report before such tax credits are  
20 issued. The regional SBTDC shall provide copies of this report to the  
21 department. Such report shall include the following:

22 (a) The name, address, and taxpayer identification number of  
23 each investor who has made cash investment in the qualified securities  
24 of the qualified Missouri business;

25 (b) Proof of such investment, including copies of the securities  
26 purchase agreements and cancelled checks or wire transfer receipts;  
27 and

28 (c) Any additional information as the regional SBTDC may  
29 reasonably require under this section and section 348.273.

30 2. (1) The state of Missouri shall not be held liable for any  
31 damages to any investor that makes an investment in any qualified  
32 security of a qualified Missouri business, any business that applies to  
33 be designated as a qualified Missouri business and is turned down, or  
34 any investor that makes an investment in a business that applies to be  
35 designated as a qualified Missouri business and is turned down.

36 (2) Each qualified Missouri business shall have the obligation to  
37 notify the regional SBTDC that allocated tax credits to the qualified  
38 Missouri business and the department in a timely manner of any  
39 changes in the qualifications of the business or in the eligibility of  
40 investors to claim a tax credit for cash investment in a qualified  
41 security.

42 (3) The department shall provide the information specified in  
43 subdivision (3) of subsection 4 of this section to the department of  
44 revenue on an annual basis. The department shall conduct an annual  
45 review of the activities undertaken under this section and section  
46 348.273 to ensure that tax credits issued under this section and section

47 348.273 are issued in compliance with the provisions of this section and  
48 section 348.273 or rules and regulations promulgated by each regional  
49 SBTDC or the department with respect to this section and section  
50 348.273.

51 (4) If the department determines that a business is not in  
52 substantial compliance with the requirements of this section and  
53 section 348.273 to maintain its designation, the department, by written  
54 notice, shall inform the business that such business will lose its  
55 designation as a qualified Missouri business one hundred twenty days  
56 from the date of mailing of the notice unless such business corrects the  
57 deficiencies and is once again in compliance with the requirements for  
58 designation.

59 (5) At the end of the one hundred twenty-day period, if the  
60 qualified Missouri business is still not in substantial compliance, the  
61 department shall send a notice of loss of designation to the business,  
62 each regional SBTDC, the director of the department of revenue and to  
63 all known investors in the business.

64 (6) A business shall lose its designation as a qualified Missouri  
65 business under this section and section 348.273 by moving its  
66 operations outside Missouri within ten years after receiving financial  
67 assistance under this section and section 348.273.

68 (7) In the event that a business loses its designation as a  
69 qualified Missouri business, such business shall be precluded from  
70 being issued any additional tax credits with respect to the business,  
71 shall be precluded from being approved as a qualified Missouri  
72 business and shall repay any financial assistance to the regional  
73 SBTDC, in an amount to be determined by the regional SBTDC. Each  
74 qualified Missouri business that loses its designation as a qualified  
75 Missouri business shall enter into a repayment agreement with the  
76 regional SBTDC specifying the terms of such repayment obligation.

77 (8) Investors in a qualified Missouri business shall be entitled to  
78 keep all of the tax credits properly issued to such investors under this  
79 section and section 348.273.

80 (9) The portions of documents and other materials submitted to  
81 any regional SBTDC or the department that contain trade secrets shall  
82 be kept confidential and shall be maintained in a secured environment  
83 by the regional SBTDC and the department, as applicable. For the

84 purposes of this section and section 348.273, "trade secrets" means any  
85 customer lists, formula, compound, production data, or compilation of  
86 information that will allow individuals within a commercial concern  
87 using such information the means to fabricate, produce, or compound  
88 an article of trade or perform any service having commercial value,  
89 which gives the user an opportunity to obtain a business advantage  
90 over competitors who do not know or use such service.

91 (10) Each regional SBTDC and the department may prepare and  
92 adopt procedures concerning the performance of the duties placed  
93 upon each respective entity by this section and section 348.273.

94 3. Any qualified investor who makes a cash investment in a  
95 qualified security of a qualified Missouri business may transfer the tax  
96 credits such qualified investor may receive under subsection 4 of  
97 section 348.273 to any natural person. Such transferee may claim the  
98 tax credit against the transferee's Missouri income tax liability as  
99 provided in subdivision (1) of subsection 4 of section 348.273, subject to  
100 all restrictions and limitations set forth in this section and section  
101 348.273. Only the full credit for any one investment shall be transferred  
102 and this interest shall only be transferred one time. Documentation of  
103 any tax credit transfer under this section shall be provided by the  
104 qualified investor in the manner required by the department.

105 4. (1) Each qualified Missouri business for which tax credits  
106 have been issued under this section and section 348.273 shall report to  
107 the applicable regional SBTDC on an annual basis, on or before  
108 February first. The regional SBTDC shall provide copies of the reports  
109 to the department. Such reports shall include the following:

110 (a) The name, address, and taxpayer identification number of  
111 each investor who has made cash investment in the qualified securities  
112 of the qualified Missouri business and has received tax credits for this  
113 investment during the preceding year;

114 (b) The amounts of these cash investments by each investor and  
115 a description of the qualified securities issued in consideration of such  
116 cash investments; and

117 (c) Any additional information as the regional SBTDC or the  
118 department may reasonably require under this section and section  
119 348.273.

120 (2) Each regional SBTDC shall report quarterly to the

121 department on the allocation of the tax credits in the preceding  
122 calendar quarter. Such reports shall include:

123 (a) The amount of applications the regional SBTDC received;

124 (b) The number and ratio of successful applications to  
125 unsuccessful applications;

126 (c) The amount of tax credits allocated but not issued in the  
127 previous quarter, including what percentage was allocated to  
128 individuals and what percentage was allocated to investment firms;

129 (d) The amount of unallocated tax credits; and

130 (e) Such other information as reasonably agreed upon by each  
131 regional SBTDC and the department.

132 (3) The department shall also report annually to the governor,  
133 the president pro tempore of the senate, and the speaker of the house  
134 of representatives, on or before April first, on the allocation and  
135 issuance of the tax credits. Such reports shall include:

136 (a) The amount of tax credits issued in the previous fiscal year,  
137 including what percentage was issued to individuals and what  
138 percentage was issued to investment firms;

139 (b) The types of businesses that benefitted from the tax credits;

140 (c) The amount of allocated but unissued tax credits and the  
141 information about the unissued tax credits set forth in subdivision (2)  
142 of this subsection;

143 (d) Any aggregate job creation or capital investment in the  
144 region that resulted from the use of the tax credits for a period of five  
145 years beginning from the date on which the tax credits were awarded;

146 (e) The manner in which the purpose of this section and section  
147 348.273 has been carried out with regard to the region;

148 (f) The total cash investments made for the purchase of qualified  
149 securities of qualified Missouri businesses within the region during the  
150 preceding year and cumulatively since the effective date of this section  
151 and section 348.273;

152 (g) An estimate of jobs created and jobs preserved by cash  
153 investments made in qualified Missouri businesses within the region;

154 (h) An estimate of the multiplier effect on the economy of the  
155 region of the cash investments made under this section and section  
156 348.273;

157 (i) Information regarding what businesses derived benefit from



158 the tax credits remained in the region, what businesses ceased  
159 business, what businesses were purchased, and what businesses may  
160 have moved out-of-region or out-of-state and why.

161 (4) Any violation of the reporting requirements of this subsection  
162 by a qualified Missouri business may be grounds for the loss of  
163 designation of such qualified Missouri business, and such business that  
164 loses its designation as a qualified Missouri business shall be subject  
165 to the restrictions upon loss of designation set forth in subsection 2 of  
166 this section.

167 5. Notwithstanding sections 23.250 to 23.298 of the Missouri  
168 sunset act, sections 348.273 and 348.274 shall expire on December 31,  
169 2024.

✓

Bill

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