

HCS HB 1928 -- MISSOURI DISCOVERY ALLIANCE

SPONSOR: Ervin

COMMITTEE ACTION: Voted "do pass" by the Committee on Small Business by a vote of 10 to 1 with 1 present.

This substitute creates the Missouri Discovery Fund and establishes the Missouri Discovery Alliance in the Department of Economic Development to assist with the recruitment, relocation, and expansion of technology businesses. The alliance replaces the Missouri Technology Corporation, and the substitute establishes a 13-member board of directors for the alliance. If an innovation center's annual report of its activities and operational plans to coordinate with the small business development centers is not approved by the department or the alliance, the department can withhold 75% of the state-allocated center's funding until the report is accurate and complete. The innovation center must provide 100% match for any funding received from the discovery fund. Beginning July 1, 2008, existing and new innovation centers established after that date will receive funding through the Missouri Discovery Fund for no more than five years.

The alliance may authorize up to \$10 million in tax credits annually. A taxpayer will receive a 30% tax credit for a contribution toward the first \$500,000 in venture capital contributed to a qualifying company or a 40% tax credit if the company invested in is located in a rural area or distressed community. The alliance can reserve tax credits for investors who have a net loss of investment within five years of contributing the first \$5 million in venture capital to an approved company. A taxpayer will receive a 50% tax credit for contributions to a technology commercialization infrastructure project or for expenditures for industrial research conducted at a public research institution or private not-for-profit collaborative research project approved by the alliance. The credits can be used against current income tax, carried over for three consecutive years, or transferred.

The substitute also establishes the Small Business Tax Credit Review Committee and authorizes a 30% tax credit for a qualified investment of up to \$100,000 in a Missouri small business or a 40% credit if the investment is in a business in a distressed community. The tax credit can be held as a guarantee on a loan from a financial institution to a qualified business and only issued and redeemed if the small business defaults on the loan within the first five years of the loan.

FISCAL NOTE: Estimated Cost on General Revenue Fund of \$0 to

\$10,000,000 in FY 2007, FY 2008, and FY 2009. No impact on Other State Funds.

PROPOSERS: Supporters say that the bill will help attract and expand technology businesses in Missouri by offering a 30% to 40% credit for investments, up to \$5 million. Missouri is a flyover state and not attractive to investors. Companies can align with the department to get a \$100,000 investment tax credit for 30% to 40% of the investment and a tax credit for net losses to encourage financial institutions to make start-up loans. Government grants are available, but many businesses are unaware of them. The bill will fix that problem. The two programs, the credit, and the coaching will come together and be self-sustaining. The bill helps put early stage money in the hands of the inventor of new technology at universities and encourages St. Louis investors to invest in small businesses in Missouri instead of other states.

Testifying for the bill were Representative Ervin; Department of Economic Development; Carter Williams; Missouri Chamber of Commerce and Industry; National Federation of Independent Business; Center for Emerging Technologies; University of Missouri; and Missouri Bankers Association.

OPPOSERS: There was no opposition voiced to the committee.

Karla Strobel, Legislative Analyst