

HB 1121 -- Qualified Research Tax Credits

Sponsor: Harris (23)

This bill authorizes a tax credit for qualified research costs paid by a corporation in a targeted industry. The tax credit will be equal to:

- (1) 10% of the qualified research costs incurred by any corporation in a targeted industry;
- (2) 12.5% of the qualified research costs incurred by any new corporation in a targeted industry;
- (3) 15% of the qualified research costs incurred if an existing corporation in a targeted industry incurs the costs in consortium or in partnership with any public university, public college, or public community college in Missouri; and
- (4) 17.5% of the qualified research costs incurred if a new corporation in a targeted industry incurs the costs in consortium or in partnership with any public university, public college, or public community college in Missouri.

A company that is deemed to be a new corporation cannot maintain this designation for more than five years from when it was incorporated in or relocated to Missouri.

"Qualified research" is defined and will not include any research:

- (1) Conducted after commercial production of the business component has begun;
- (2) Related to the adaptation of an existing business component to a particular customer's requirements;
- (3) Related to the reproduction of an existing business component, in whole or in part, from a physical examination of the business component itself or from blueprints or publicly available information;
- (4) Related to surveys, studies, market testing, development, advertising, or ordinary testing or inspection for quality control;
- (5) Related to computer software which is developed by the corporation for internal use; or
- (6) Funded by a grant, contract, or by another person or

government entity.

The bill defines "target industry" and specifies what must be disclosed to the Department of Economic Development by a corporation that receives qualified research tax credits. The department must prepare an annual report regarding all tax credits issued in the previous calendar year and submit it to the President Pro Tem of the Senate and Speaker of the House of Representatives by July 1 each year. Required elements of the report are specified.

The provisions of the bill will expire six years from the effective date.