

HB 2302 with HCA 1 -- MISSOURI ANGEL INVESTMENT ACT

SPONSOR: Rowden

COMMITTEE ACTION: Voted "Do Pass with Amendments" by the Standing Committee on Economic Development and Business Attraction and Retention by a vote of 11 to 0.

This bill establishes the Missouri Angel Investment Incentive Act that is to be administered by the Missouri Technology Corporation (MTC). The primary goal of the act is to encourage individuals to provide seed-capital financing for emerging Missouri businesses engaged in the development, implementation, and commercialization of innovative technologies, products, and services. The Department of Economic Development must establish its own rules of procedure, including the form and substance of applications to be used by the MTC and the criteria to be considered by the MTC when evaluating a qualified Missouri business and issue tax credits to qualified investors that have been allocated available tax credits by the MTC.

The total amount of tax credits that can be allowed cannot exceed \$6 million in any fiscal year. The balance of unissued tax credits may be carried over for issuance in future years until December 31, 2024.

The tax credits must be administered by the MTC. At the beginning of each year, the MTC must equally designate the tax credits available during that year to each geographic region comprised of the boundaries of each Congressional district. At the end of each calendar quarter, the MTC must aggregate all the tax credits and reallocate them equally among the regions as soon as possible during the next consecutive calendar quarter. Each region must receive the reallocation in addition to the new allocation of designated tax credits for the quarter. During the fourth calendar quarter, a MTC may allocate the unallocated tax credits to be allocated to any region.

Before an investor may be entitled to receive tax credits, the investor must have made a cash investment in a qualified security of a qualified Missouri business. A business may be considered as a qualified Missouri business under the provisions of the bill if it falls within a standard industrial classification code established by the coordinator.

The MTC is authorized to allocate tax credits to qualified Missouri businesses and the department is authorized to issue tax credits to qualified investors in those qualified Missouri businesses. The tax credits must be allocated to those qualified Missouri

businesses which, as determined by the MTC, are most likely to provide the greatest economic benefit to the region, the state, or both. Each qualified Missouri business for which the MTC has allocated tax credits to the qualified investors of the qualified Missouri business must submit to the MTC a report before the tax credits are issued that includes specified information.

The department must provide specified information to the Department of Revenue on an annual basis. The Department of Economic Development must conduct an annual review of the activities to ensure that tax credits issued under these provisions are issued in compliance with the bill or rules and regulations promulgated by the MTC or the department. A business may lose its designation as a qualified Missouri business by moving its headquarters outside of Missouri or a substantial number of the jobs created in Missouri to a location outside Missouri within 10 years after receiving financial assistance under the provisions of the bill. Each qualified Missouri business that loses its designation must enter into a repayment agreement with the MTC specifying the terms of the repayment obligation.

The portions of documents and other materials submitted to the MTC or the Department of Economic Development that contain trade secrets must be kept confidential and must be maintained in a secured environment by the MTC and the department.

Each qualified Missouri business for which tax credits have been issued must report specified information to the MTC on an annual basis, on or before February 1. The MTC and the Department of Revenue must also report annually, on or before April 1, to the Governor, Director of the Department of Economic Development, President Pro Tem of the Senate, and Speaker of the House on the allocation and issuance of the tax credits.

The provisions of the bill will automatically sunset six years after the effective date.

HCA #1: This amendment clarifies ambiguous language that owners of companies receiving the angel investment can be considered "investors" for purposes of the tax credit, that "applications received" refers to those applications from qualified Missouri businesses, and changes other terms to be in conformity with existing statutory language.

PROPOSERS: Supporters say that the bill provides an incentive to invest in potentially profitable ideas that would otherwise not have access to capital, and that Kansas has done better than Missouri because of angel tax credits.

Testifying for the bill were Representative Rowden; Missouri Chamber Of Commerce And Industry; National Federation Of Independent Business; Columbia Chamber Of Commerce; Cortex; Missouri Biotechnology Association; and the University Of Missouri.

OPPONENTS: Those who oppose the bill say that the bill should be amended to prevent financial support of any abortion services, human cloning, or embryonic stem cell research.

Testifying against the bill was Missouri Right To Life.