

SECOND REGULAR SESSION

[PERFECTED]

# HOUSE BILL NO. 1593

## 96TH GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVES JONES (89) (Sponsor), TALBOY, TORPEY, BERRY, LAUER, ZERR, JONES (117), LONG, McGHEE, FRAKER, RIDDLE, HOUGH, HINSON, BERNSKOETTER, SCHARNHORST, JONES (63), TAYLOR, HOLSMAN, CONWAY (27), HUMMEL, McCANN BEATTY, LAMPE, BROWN (50), CARTER, SCHUPP, CARLSON, SWEARINGEN, ANDERS, MORGAN, RIZZO, ELLINGTON AND McMANUS (Co-sponsors).

5419L.03P

D. ADAM CRUMBLISS, Chief Clerk

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### AN ACT

To repeal section 135.680, RSMo, and to enact in lieu thereof three new sections relating to the Missouri Angel Investment Incentive Act.

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Section A. Section 135.680, RSMo is repealed and three new sections enacted in lieu thereof, to be known as sections 135.680, 348.273 and 348.274, to read as follows:

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

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

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

(b) The following fraction:

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

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

c. For purposes of calculating the amount of qualified low-income community investments held by an issuer, an investment shall be considered held by an issuer even if the

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

14 investment has been sold or repaid; provided that the issuer reinvests an amount equal to the  
15 capital returned to or recovered by the issuer from the original investment, exclusive of any  
16 profits realized, in another qualified low-income community investment within twelve months  
17 of the receipt of such capital. An issuer shall not be required to reinvest capital returned from  
18 qualified low-income community investments after the sixth anniversary of the issuance of the  
19 qualified equity investment, the proceeds of which were used to make the qualified low-income  
20 community investment, and the qualified low-income community investment shall be considered  
21 held by the issuer through the seventh anniversary of the qualified equity investment's issuance;

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

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

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

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

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

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

42 (6) "Qualified community development entity", the meaning given such term in Section  
43 45D of the Internal Revenue Code of 1986, as amended; provided that such entity has entered  
44 into an allocation agreement with the Community Development Financial Institutions Fund of  
45 the U.S. Treasury Department with respect to credits authorized by Section 45D of the Internal  
46 Revenue Code of 1986, as amended, which includes the state of Missouri within the service area  
47 set forth in such allocation agreement;

48 (7) "Qualified equity investment", any equity investment in, or long-term debt security  
49 issued by, a qualified community development entity that:

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

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

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

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

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

69 (10) "Taxpayer", any individual or entity subject to the tax imposed in chapter 143,  
70 excluding withholding tax imposed in sections 143.191 to 143.265, or the tax imposed in section  
71 375.916 or chapter 147, 148, or 153.

72 2. A taxpayer that makes a qualified equity investment earns a vested right to tax credits  
73 under this section. On each credit allowance date of such qualified equity investment the  
74 taxpayer, or subsequent holder of the qualified equity investment, shall be entitled to a tax credit  
75 during the taxable year including such credit allowance date. The tax credit amount shall be  
76 equal to the applicable percentage of the adjusted purchase price paid to the issuer of such  
77 qualified equity investment. The amount of the tax credit claimed shall not exceed the amount  
78 of the taxpayer's state tax liability for the tax year for which the tax credit is claimed. No tax  
79 credit claimed under this section shall be refundable or transferable. Tax credits earned by a  
80 partnership, limited liability company, S-corporation, or other pass-through entity may be  
81 allocated to the partners, members, or shareholders of such entity for their direct use in  
82 accordance with the provisions of any agreement among such partners, members, or  
83 shareholders. Any amount of tax credit that the taxpayer is prohibited by this section from  
84 claiming in a taxable year may be carried forward to any of the taxpayer's five subsequent taxable  
85 years. The department of economic development shall limit the monetary amount of qualified

86 equity investments permitted under this section to a level necessary to limit tax credit utilization  
87 at no more than twenty-five million dollars of tax credits in any fiscal year. Such limitation on  
88 qualified equity investments shall be based on the anticipated utilization of credits without regard  
89 to the potential for taxpayers to carry forward tax credits to later tax years.

90 3. The issuer of the qualified equity investment shall certify to the department of  
91 economic development the anticipated dollar amount of such investments to be made in this state  
92 during the first twelve-month period following the initial credit allowance date. If on the second  
93 credit allowance date, the actual dollar amount of such investments is different than the amount  
94 estimated, the department of economic development shall adjust the credits arising on the second  
95 allowance date to account for such difference.

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

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

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

105 5. The department of economic development shall promulgate rules to implement the  
106 provisions of this section, including recapture provisions on a scaled proportional basis, and to  
107 administer the allocation of tax credits issued for qualified equity investments, which shall be  
108 conducted on a first-come, first-serve basis. Any rule or portion of a rule, as that term is defined  
109 in section 536.010, that is created under the authority delegated in this section shall become  
110 effective only if it complies with and is subject to all of the provisions of chapter 536 and, if  
111 applicable, section 536.028. This section and chapter 536 are nonseverable and if any of the  
112 powers vested with the general assembly pursuant to chapter 536 to review, to delay the effective  
113 date, or to disapprove and annul a rule are subsequently held unconstitutional, then the grant of  
114 rulemaking authority and any rule proposed or adopted after September 4, 2007, shall be invalid  
115 and void.

116 6. [For fiscal years following fiscal year 2010, qualified equity investments shall not be  
117 made under this section unless reauthorization is made pursuant to this subsection. For all fiscal  
118 years following fiscal year 2010, unless the general assembly adopts a concurrent resolution  
119 granting authority to the department of economic development to approve qualified equity  
120 investments for the Missouri new markets development program and clearly describing the  
121 amount of tax credits available for the next fiscal year, or otherwise complies with the provisions

122 of this subsection, no qualified equity investments may be permitted to be made under this  
123 section. The amount of available tax credits contained in such a resolution shall not exceed the  
124 limitation provided under subsection 2 of this section. In any year in which the provisions of this  
125 section shall sunset pursuant to subsection 7 of this section, reauthorization shall be made by  
126 general law and not by concurrent resolution. Nothing in this subsection shall preclude a  
127 taxpayer who makes a qualified equity investment prior to the expiration of authority to make  
128 qualified equity investments from claiming tax credits relating to such qualified equity  
129 investment for each applicable credit allowance date.

130 7.] Under section 23.253 of the Missouri sunset act:

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

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

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

**348.273. 1. This section and section 348.274 shall be known and may be cited as the**  
2 **"Missouri Angel Investment Incentive Act".**

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

4 **(1) "Cash investment", money or money equivalent in consideration for qualified**  
5 **securities;**

6 **(2) "Coordinator", the SBTDC home office;**

7 **(3) "Investor":**

8 **(a) A natural person who is an accredited investor or an owner of a permitted**  
9 **entity investor, who is of high worth, as defined in 17 CFR 230.501(a) as in effect on August**  
10 **28, 2012; or**

11 **(b) An investor making an investment under any proposed amendment to the**  
12 **Securities Act of 1933, as amended. For the purposes of this section and section 348.274,**  
13 **a person who serves as an executive, officer, or employee of the business in which an**  
14 **otherwise qualified cash investment is made is not an investor and such person shall not**  
15 **qualify for the issuance of tax credits for such investment;**

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

18 (5) "Permitted entity investor", any general partnership, limited partnership,  
19 corporation that has in effect a valid election to be taxed as an S corporation under the  
20 Internal Revenue Code of 1986, as amended, revocable living trust, or limited liability  
21 company that has elected to be taxed as a partnership under the United States internal  
22 revenue code, and that was established and is operated for the purpose of making  
23 investments in other entities;

24 (6) "Qualified Missouri business", the Missouri businesses that are approved and  
25 certified as qualified knowledge-based companies by the coordinator that meet at least one  
26 of the following criteria:

27 (a) Any business owned by an individual;

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

29 (c) Any corporation, even if a wholly owned subsidiary of a foreign corporation,  
30 that does business primarily in Missouri or does substantially all of such business's  
31 production in Missouri;

32 (7) "Qualified securities", a cash investment through any one or more forms of  
33 financial assistance as provided in this subdivision and that have been approved in form  
34 and substance by the coordinator. Forms of such financial assistance include:

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

36 a. A general or limited partnership interest;

37 b. Common stock;

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

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

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

46 (8) "SBTDC", the Missouri small business and technology development center; and

47 (9) "Tax credit", a credit against the tax otherwise due under chapter 143,  
48 excluding withholding tax imposed by sections 143.191 to 143.265, or otherwise due under  
49 chapter 147, 148, or 153.

50 3. The Missouri angel investment incentive act shall be administered by the  
51 regional SBTDCs and the coordinator, with the primary goal of encouraging individuals

52 to provide seed-capital financing for emerging Missouri businesses engaged in the  
53 development, implementation, and commercialization of innovative technologies, products,  
54 and services. Each regional SBTDC shall establish a regional committee consisting of no  
55 fewer than three but no more than five persons for the purpose of reviewing applications  
56 from businesses requesting designation as a qualified Missouri business and allocating and  
57 issuing tax credits to qualified investors that make cash investments in such qualified  
58 Missouri businesses. The coordinator shall establish its own rules of procedure, including  
59 the form and substance of applications to be used by each regional SBTDC and the criteria  
60 to be considered by each regional SBTDC when evaluating a qualified Missouri business,  
61 such applications and criteria to be not less than the minimum requirements set forth in  
62 subsection 5 of this section.

63       4. (1) A tax credit shall be allowed for an investor's cash investment in the qualified  
64 securities of a qualified Missouri business. The credit shall be in a total amount equal to  
65 fifty percent of such investor's cash investment in any qualified Missouri business, subject  
66 to the limitations set forth in this subsection. This tax credit may be used in its entirety in  
67 the taxable year in which the cash investment is made except that no tax credit shall be  
68 allowed in a year prior to the year beginning January 1, 2012. If the amount by which that  
69 portion of the credit allowed by this section exceeds the investor's liability in any one  
70 taxable year, beginning in the calendar year 2012, the remaining portion of the credit may  
71 be carried forward until the total amount of the credit is used. If the investor is a  
72 permitted entity investor, the credit provided by this section shall be claimed by the owners  
73 of the permitted entity investor in proportion to their cash investment in the permitted  
74 entity investor.

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

78       (3) The director of the department of revenue shall not allow tax credits of more  
79 than fifty thousand dollars for a single qualified Missouri business or a total of two  
80 hundred fifty thousand dollars in tax credits for a single year per investor who is a natural  
81 person or owner of a permitted entity investor. No tax credits authorized by this section  
82 and section 348.274 shall be allowed for any cash investments in qualified securities for any  
83 year beginning after December 31, 2022. The total amount of tax credits which may be  
84 allowed under this section shall not exceed six million dollars during the tax year 2012 and  
85 each tax year thereafter. The balance of unissued tax credits may be carried over for  
86 issuance in future years until December 31, 2022.

87           **(4) The tax credits shall be administered by the regional SBTDCs. At the beginning**  
88 **of each calendar year, the coordinator shall equally designate the tax credits available**  
89 **during that year to each regional SBTDC. At the beginning of each calendar quarter, the**  
90 **coordinator shall allocate to each regional SBTDC one-fourth of the total tax credits**  
91 **designated to such regional SBTDC for the calendar year such that the regional SBTDC**  
92 **can allocate tax credits to qualified Missouri businesses and issue tax credits to qualified**  
93 **investors for cash investments in such qualified Missouri businesses during that calendar**  
94 **quarter.**

95           **(5) At the end of each calendar quarter, each regional SBTDC shall report to the**  
96 **coordinator any unallocated tax credits for the preceding quarter. Such report shall meet**  
97 **the requirements set forth in section 348.274. The coordinator shall aggregate all such tax**  
98 **credits and reallocate them equally among the regional SBTDCs as soon as possible during**  
99 **the next consecutive calendar quarter. Each regional SBTDC shall receive such**  
100 **reallocation in addition to the new allocation of designated tax credits for such quarter.**

101           **(6) During the fourth calendar quarter, a regional SBTDC in need of additional tax**  
102 **credits for transactions closing in the fourth calendar quarter may request that another**  
103 **regional SBTDC with unallocated tax credits permit such unallocated tax credits to be**  
104 **allocated by the requesting SBTDC. No regional SBTDC shall be required to grant such**  
105 **request. When a granting SBTDC transfers the allocation of the unallocated tax credits**  
106 **to a requesting SBTDC under this subdivision, the granting SBTDC shall provide to the**  
107 **requesting SBTDC a written confirmation authorizing such transfer, the granting SBTDC**  
108 **shall include a copy of such written confirmation in its reports provided under section**  
109 **348.274, and the requesting SBTDC shall include a copy of such written confirmation in**  
110 **its reports provided under section 348.274.**

111           **5. (1) Before an investor may be entitled to receive tax credits under this section**  
112 **and section 348.274, such investor shall have made a cash investment in a qualified security**  
113 **of a qualified Missouri business. The business shall have been approved by a regional**  
114 **SBTDC as a qualified Missouri business before the date on which the cash investment was**  
115 **made. To be designated as a qualified Missouri business, a business shall make application**  
116 **to a regional SBTDC in accordance with the provisions of this section.**

117           **(2) The application by a business to a regional SBTDC shall be in the form and**  
118 **substance as required by the coordinator, but shall include at least the following:**

119           **(a) The name of the business and certified copies of the organizational documents**  
120 **of the business;**

121           **(b) A business plan, including a description of the business and the management,**  
122 **product, market, and financial plan of the business;**



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

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

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

129 (f) Such other information as the regional SBTDC or the coordinator may  
130 reasonably request.

131 (3) The designation of a business as a qualified Missouri business shall be made by  
132 the regional SBTDC, and such designation shall be renewed annually. A business shall be  
133 so designated if the regional SBTDC determines, based upon the application submitted by  
134 the business and any additional investigation the regional SBTDC shall make, that such  
135 business meets the criteria established by the coordinator. Such criteria shall include at  
136 least the following:

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

139 (b) Businesses that are not bioscience businesses shall have been in operation for  
140 less than five years, and bioscience businesses shall have been in operation for less than ten  
141 years;

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

145 (d) The business shall not have ownership interests including, but not limited to,  
146 common or preferred shares of stock that can be traded via a public stock exchange before  
147 the date that a qualifying investment is made;

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

150 a. The business of banking, savings and loan or lending institutions, credit or  
151 finance, or financial brokerage or investments;

152 b. The provision of professional services, such as legal, accounting, or engineering  
153 services;

154 c. Governmental, charitable, religious, or trade organizations;

155 d. The ownership, development brokerage, sales, or leasing of real estate;

156 e. Insurance;

157 f. Construction or construction management or contracting;

158 g. Business consulting or brokerage;

- 159           **h. Any business engaged primarily as a passive business, having irregular or**  
160 **noncontiguous operations, or deriving substantially all of the income of the business from**  
161 **passive investments that generate interest, dividends, royalties, or capital gains, or any**  
162 **business arrangements the effect of which is to immunize an investor from risk of loss;**
- 163           **i. Any activity that is in violation of the law;**
- 164           **j. Any business raising money primarily to purchase real estate, land, or fixtures;**  
165 **and**
- 166           **k. Any gambling related business;**
- 167           **(f) The business has a reasonable chance of success;**
- 168           **(g) The business has the reasonable potential to create measurable employment**  
169 **within the region or this state, or both;**
- 170           **(h) The business has an innovative and proprietary technology, product, or service;**
- 171           **(i) The existing owners of the business and other founders have made or are**  
172 **committed to make a substantial financial and time commitment to the business;**
- 173           **(j) The securities to be issued and purchased are qualified securities;**
- 174           **(k) The business has the reasonable potential to address the needs and**  
175 **opportunities specific to the region or this state, or both;**
- 176           **(l) The business has made binding commitments to the regional SBTDC for**  
177 **adequate reporting of financial data, including a requirement for an annual report, or, if**  
178 **required by the regional SBTDC, an annual audit of the financial and operational records**  
179 **of the business, the right of access to the financial records of the business, and the right of**  
180 **the regional SBTDC to record and publish normal and customary data and information**  
181 **related to the issuance of tax credits that are not otherwise determined to be trade or**  
182 **business secrets; and**
- 183           **(m) The business shall satisfy all other requirements of this section and section**  
184 **348.274.**
- 185           **(4) Notwithstanding the requirements of subdivision (3) of this subsection, a**  
186 **business may be considered as a qualified Missouri business under the provisions of this**  
187 **section and section 348.274 if such business falls within a standard industrial classification**  
188 **code established by the coordinator.**
- 189           **(5) A qualified Missouri business shall have the burden of proof to demonstrate to**  
190 **the regional SBTDC the qualifications of the business under this section.**

2           **348.274. 1. (1) Each regional SBTDC is authorized to allocate tax credits to**  
3 **qualified Missouri businesses and then to issue tax credits to qualified investors in such**  
4 **qualified Missouri businesses. Such tax credits shall be awarded to those qualified**  
5 **Missouri businesses which, as determined by the regional SBTDC, are most likely to**

5 provide the greatest economic benefit to the region or the state, or both. The regional  
6 SBTDC may allocate and issue whole or partial tax credits based on an assessment of the  
7 qualified Missouri businesses. The regional SBTDC may consider numerous factors in  
8 such assessment, including but not limited to, the quality and experience of the  
9 management team, the size of the estimated market opportunity, the risk from current or  
10 future competition, the ability to defend intellectual property, the quality and utility of the  
11 business model, and the quality and reasonableness of financial projections for the  
12 business.

13 (2) Each qualified Missouri business for which a regional SBTDC has authorized  
14 the issuance of tax credits to the qualified investors of such qualified Missouri business  
15 shall submit to the regional SBTDC a report before such tax credits are issued. Such  
16 report shall include the following:

17 (a) The name, address, and tax payer identification number of each investor who  
18 has made cash investment in the qualified securities of the qualified Missouri business;

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

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

23 2. (1) The state of Missouri shall not be held liable for any damages to any investor  
24 that makes an investment in any qualified security of a qualified Missouri business, any  
25 business that applies to be designated as a qualified Missouri business and is turned down,  
26 or any investor that makes an investment in a business that applies to be designated as a  
27 qualified Missouri business and is turned down.

28 (2) Each qualified Missouri business shall have the obligation to notify the regional  
29 SBTDC that issued the tax credits in a timely manner of any changes in the qualifications  
30 of the business or in the eligibility of investors to claim a tax credit for cash investment in  
31 a qualified security.

32 (3) The coordinator shall provide the information specified in subdivision (3) of  
33 subsection 4 of this section to the department of revenue on an annual basis. The  
34 coordinator shall conduct an annual review of the activities undertaken under this section  
35 and section 348.273 to ensure that tax credits issued under this section and section 348.273  
36 are issued in compliance with the provisions of this section and section 348.273 or rules and  
37 regulations promulgated by each regional SBTDC or the coordinator with respect to this  
38 section and section 348.273. The reasonable costs of the annual review shall be paid by the  
39 coordinator according to a reasonable fee schedule adopted by the coordinator.

40           **(4) If the coordinator determines that a business is not in substantial compliance**  
41 **with the requirements of this section and section 348.273 to maintain its designation, the**  
42 **coordinator, by written notice, may inform the business that such business will lose its**  
43 **designation as a qualified Missouri business one hundred twenty days from the date of**  
44 **mailing of the notice unless such business corrects the deficiencies and is once again in**  
45 **compliance with the requirements for designation.**

46           **(5) At the end of the one hundred twenty-day period, if the qualified Missouri**  
47 **business is still not in substantial compliance, the coordinator may send a notice of loss of**  
48 **designation to the business, each regional SBTDC, the secretary of the department of**  
49 **revenue and to all known investors in the business.**

50           **(6) A business may lose its designation as a qualified Missouri business under this**  
51 **section and section 348.273 by moving its operations outside Missouri within ten years after**  
52 **receiving financial assistance under this section and section 348.273.**

53           **(7) In the event that a business loses its designation as a qualified Missouri business,**  
54 **such business shall be precluded from being issued any additional tax credits with respect**  
55 **to the business, shall be precluded from being approved as a qualified Missouri business**  
56 **and shall repay any financial assistance to the regional SBTDC, in an amount to be**  
57 **determined by the regional SBTDC. Each qualified Missouri business that loses its**  
58 **designation as a qualified Missouri business shall enter into a repayment agreement with**  
59 **the regional SBTDC specifying the terms of such repayment obligation.**

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

62           **(9) The portions of documents and other materials submitted to any regional**  
63 **SBTDC or the coordinator that contain trade secrets shall be kept confidential and shall**  
64 **be maintained in a secured environment by the regional SBTDC and the coordinator, as**  
65 **applicable. For the purposes of this section and section 348.273, such portions of**  
66 **documents and other materials means any customer lists, any formula, compound,**  
67 **production data, or compilation of information certain individuals within a commercial**  
68 **concern using such portions of documents and other material means to fabricate, produce,**  
69 **or compound an article of trade, or, any service having commercial value, which gives the**  
70 **user an opportunity to obtain a business advantage over competitors who do not know or**  
71 **use such service.**

72           **(10) Each regional SBTDC and the coordinator may prepare and adopt procedures**  
73 **concerning the performance of the duties placed upon each respective entity by this section**  
74 **and section 348.273.**

75           **3. Any qualified investor who makes a cash investment in a qualified security of a**  
76 **qualified Missouri business may transfer the tax credits such qualified investor may receive**  
77 **under subsection 4 of section 348.273 to any natural person. Such transferee may claim**  
78 **the tax credit against the transferee's Missouri income tax liability as provided in**  
79 **subdivision (1) of subsection 4 of section 348.273, subject to all restrictions and limitations**  
80 **set forth in this section and section 348.273. Only the full credit for any one investment**  
81 **shall be transferred and this interest shall only be transferred one time. Documentation**  
82 **of any tax credit transfer under this section shall be provided by the qualified investor in**  
83 **the manner required by the coordinator.**

84           **4. (1) Each qualified Missouri business for which tax credits have been issued**  
85 **under this section and section 348.273 shall report to the applicable regional SBTDC on**  
86 **an annual basis, on or before February first. Such reports shall include the following:**

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

90           **(b) The amounts of these cash investments by each investor and a description of the**  
91 **qualified securities issued in consideration of such cash investments; and**

92           **(c) Any additional information as the regional SBTDC or the coordinator may**  
93 **reasonably require under this section and section 348.273.**

94           **(2) Each regional SBTDC shall report quarterly to the coordinator on the allocation**  
95 **and issuance of the tax credits in the preceding calendar quarter. Such reports shall**  
96 **include:**

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

98           **(b) The number and ratio of successful applications to unsuccessful applications;**

99           **(c) The amount of tax credits allocated but not issued in the previous quarter,**  
100 **including what percentage was allocated to individuals and what percentage was allocated**  
101 **to investment firms;**

102           **(d) The amount of tax credits issued in the previous quarter, including what**  
103 **percentage was issued to individuals and what percentage was issued to investment firms;**

104           **(e) The amount of unallocated tax credits; and**

105           **(f) Such other information as reasonably agreed upon by each regional SBTDC and**  
106 **the coordinator.**

107           **(3) Each regional SBTDC shall also report annually to the governor, the director**  
108 **of the department of economic development, the senate committee on commerce, consumer**  
109 **protection, energy and the environment, the house committee on economic development,**

110 and any successor committees thereto, and to the coordinator, on or before April first, on  
111 the allocation and issuance of the tax credits. Such reports shall include:

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

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

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

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

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

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

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

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

129 (i) Information regarding what businesses or which derived benefit from the tax  
130 credits remained in the region, what businesses ceased business, what businesses were  
131 purchased, and what businesses may have moved out-of-region or out-of-state and why.

132 (4) Any violation of the reporting requirements of this subsection by a qualified  
133 Missouri business may be grounds for the loss of designation of such qualified Missouri  
134 business, and such business that loses its designation as a qualified Missouri business shall  
135 be subject to the restrictions upon loss of designation set forth in subsection 2 of this  
136 section.

137 5. Sections 348.273 and 348.274 shall expire on December 31, 2022.

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