

MISSOURI CORPORATE, PERSONAL INCOME TAXES: TAX INCENTIVE PROVISIONS REVISED

Missouri enacted legislation revising income tax incentive provisions relating to:

- A research expenses credit;
- The business headquarters credit;
- An S corporation shareholder credit for tax paid;
- The self-employed health insurance credit;
- The Missouri Works Program incentives; and
- The Tax Credit Accountability Act.

Research Expenses Credit

For tax years beginning on or after January 1, 2023, the Director of the Department of Economic Development may authorize an income tax credit for a taxpayer in an amount equal to the greater of:

- 15% of the difference between the taxpayer's qualified research expenses incurred in the tax year and the average of the taxpayer's qualified research expenses incurred in the three immediately preceding tax years; or
- 20% of the difference between the taxpayer's qualified research expense incurred in the tax year and the average of the taxpayer's qualified research expenses incurred in the three immediately preceding tax years, if the additional research expenses relate to research conducted in conjunction with a public or private college or university in Missouri.

However, the credit allowed may not exceed 200% of the taxpayer's average qualified research expenses incurred in the three immediately preceding tax years. If the amount of the credit exceeds the taxpayer's tax liability, the excess may be carried forward for 12 years.

The aggregate amount of these tax credits that can be authorized for all taxpayers is capped at \$10 million per year, with no more than \$300,000 issued or awarded to any single taxpayer in any year. Of the \$10 million cap, \$5 million is reserved for minority business enterprises, women's business enterprises, and small businesses. Any reserved amount not issued or awarded to a minority business enterprise, women's business enterprise, or small business by November 1 of the tax year may be issued to any taxpayer otherwise eligible for a tax credit. If the total eligible claims for credits received in a calendar year exceed the annual cap, each eligible claimant will be issued credits on a pro rata basis, provided all new businesses that are less than five years old are first issued full tax credits.

These credit provisions will sunset on December 31, 2028, unless reauthorized.

Business Headquarters Credit

The business headquarters tax credit is now available for headquarters commencing or expanding operations on or before January 1, 2031 (previously, January 1, 2025).

Also, businesses may be eligible to claim the credit for an additional six years, after expiration of the initial 10-year period and additional 10-year period, if certain conditions are met.

S Corporation Shareholder Credit or Tax Paid

A resident shareholder of an S corporation will be allowed a credit for the shareholder's pro rata share of any income tax imposed by Missouri on income derived from sources in another state but not taxed in the other state.

Self-Employed Health Insurance Tax Credit

The provisions allowing a tax credit for self-employed taxpayers who are ineligible for the federal health insurance deduction have been amended to:

- Require a taxpayer to have a Missouri income tax liability of less than \$3,000 in order to be eligible for the credit;
- Make the credit nonrefundable, and not eligible to be carried forward or back to any other tax year;
- Prohibit a taxpayer from claiming the credit and the state health insurance deduction for the same tax year; and
- Specify that the credit will sunset on December 31, 2028, unless reauthorized by an act of the General Assembly.

Missouri Works Program Credit

For purposes of the Missouri Works Program incentives, a qualified company or industrial development authority will be entitled to one-time suspension of program deadlines if a statewide state of emergency existed for more than 16 months.

Tax Credit Accountability Act

For purposes of the reporting requirements under the Tax Credit Accountability Act, the following modifications apply:

- The definition of "domestic and social tax credits" has been amended to remove the health care access fund tax credit, which has expired, and add the previously authorized Health, Hunger, and Hygiene tax credit;
- The definition of "recipient" has been amended to provide that such term does not include the transferee of a tax credit;

- Every applicant for a tax credit under a program covered by the Act must, as part of the application process, sign a statement affirming that the applicant is aware of the reporting requirements and penalty provisions;
- A person or entity will not be required to begin submitting annual reports under the Act until at least one month (previously, one year) after the credit issuance date;
- The penalties for late filing of required reports have been revised, so that the penalty for failure to file the first annual report for more than three months will result in a penalty of 1% of the value of the credits for each month of delinquency, not to exceed 10% of the value of the credits issued, and the penalty for failure to file the second or third annual report for more than three months will result in a penalty of 1.5% of the value of the credits, up to a maximum of 20%, per report, of the value of the credits issued;
- The penalty equal to 100% of the value of the credits for fraud in the application process has been changed to a penalty equal to 200% of the value of the credits for fraud in the application or reporting process;
- An administering agency must send a notice of delinquency 30 days (previously, 90 days) after an annual report is past due;
- The Department of Revenue may enter into agreements to compromise or abate some or all of the penalties under the Act; and
- Tax credit applicants must forfeit and repay the tax credits if they knowingly (previously, purposely and directly) employ unauthorized aliens.