

**SENATE AMENDMENT NO. \_\_\_\_\_**

Offered by \_\_\_\_\_ of \_\_\_\_\_

Amend \_\_\_\_\_ Bill No. \_\_\_\_\_, Page 1, Section title, Line 3,

of the title, by striking the words "the new markets tax credit"  
and inserting in lieu thereof the following: "tax credits"; and

Further amend said bill, Page \_\_\_\_\_, Section \_\_\_\_\_, Line  
\_\_\_\_\_, by inserting after all of said line the following:

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

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

(1) "Cash investment", money or money equivalent  
contribution;

(2) "Department", the department of economic development;

(3) "Investor":

(a) A natural person who is an accredited investor as  
defined in 17 CFR 230.501(a)(5) or 17 CFR 230.501(a)(6), as in  
effect on August 28, 2013;

(b) A permitted entity investor who is an accredited  
investor as defined in 17 CFR 230.501(a)(8), as in effect on  
August 28, 2013; or

(c) A natural person or permitted entity investor making an  
investment that is permitted under the Jumpstart Our Business

Startups Act, Pub. L. No. 112-106, Sections 301-305, 126 Stat. 315-323, as in effect on August 28, 2013.

A person who serves as an executive, officer, or employee of the business in which an otherwise qualified cash investment is made is not an investor and such person shall not qualify for the issuance of tax credits for such investment;

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

(5) "Permitted entity investor", any charitable organization which is exempt from federal income tax and whose Missouri unrelated business taxable income, if any, would be subject to the state income tax imposed under chapter 143, general partnership, limited partnership, small corporation described in section 143.471, revocable living trust, or limited liability company that has elected to be taxed as a partnership under the United States internal revenue code, and that was established and is operated for the purpose of making investments in other entities;

(6) "Qualified knowledge-based company", a company based on the use of ideas and information to provide innovative technologies, products, and services;

(7) "Qualified Missouri business", the Missouri businesses that are approved and certified as qualified knowledge-based companies by the regional SBTDC that meet at least one of the following criteria:

(a) Any business owned by an individual;

(b) Any partnership, association, or corporation domiciled

1 in Missouri; or

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

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

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

10 a. A general or limited partnership interest;

11 b. Common stock;

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

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

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

23 (9) "SBTDC", the Missouri small business and technology  
24 development center; and

25 (10) "Tax credit", a credit against the tax otherwise due  
26 under chapter 143, excluding withholding tax imposed by sections  
27 143.191 to 143.265.

28 3. The Missouri angel investment incentive act shall be  
29 administered by the regional SBTDCs and the department, with the

1 primary goal of encouraging individuals to provide seed-capital  
2 financing for emerging Missouri businesses engaged in the  
3 development, implementation, and commercialization of innovative  
4 technologies, products, and services. Each regional SBTDC shall  
5 establish a regional committee consisting of no fewer than three  
6 but no more than five persons for the purpose of reviewing  
7 applications from businesses requesting designation as a  
8 qualified Missouri business and allocating the amount of  
9 available tax credits among the qualified Missouri businesses.  
10 The department shall establish its own rules of procedure,  
11 including the form and substance of applications to be used by  
12 each regional SBTDC and the criteria to be considered by each  
13 regional SBTDC when evaluating a qualified Missouri business,  
14 such applications and criteria to be not less than the minimum  
15 requirements set forth in subsection 5 of this section. The  
16 department shall issue tax credits to qualified investors that  
17 make cash investments in qualified Missouri businesses that have  
18 been allocated available tax credits by a regional SBTDC.

19 4. (1) A tax credit shall be allowed for an investor's  
20 cash investment in the qualified securities of a qualified  
21 Missouri business. The credit shall be in a total amount equal  
22 to fifty percent of such investor's cash investment in any  
23 qualified Missouri business, subject to the limitations set forth  
24 in this subsection. This tax credit may be used in its entirety  
25 in the taxable year in which the cash investment is made except  
26 that no tax credit shall be allowed in a year prior to the year  
27 beginning January 1, 2014. If the amount by which that portion  
28 of the credit allowed by this section exceeds the investor's  
29 liability in any one taxable year, the remaining portion of the

1 credit may be carried forward five years or until the total  
2 amount of the credit is used, whichever occurs first. If the  
3 investor is a permitted entity investor, the credit provided by  
4 this section shall be claimed by the owners of the permitted  
5 entity investor in proportion to their equity investment in the  
6 permitted entity investor.

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

11 (3) The director of the department of revenue shall not  
12 allow tax credits of more than fifty thousand dollars for a  
13 single qualified Missouri business or a total of two hundred  
14 fifty thousand dollars in tax credits for a single year per  
15 investor who is a natural person or owner of a permitted entity  
16 investor. No tax credits authorized by this section and section  
17 348.274 shall be allowed for any cash investments in qualified  
18 securities for any year beginning after December 31, 2019. The  
19 total amount of tax credits allocated under this section shall  
20 not exceed six million dollars per year.

21 (4) At the beginning of each calendar year, the department  
22 shall equally designate the tax credits available during that  
23 year to each regional SBTDC. At the beginning of each calendar  
24 quarter, the department shall allocate to each regional SBTDC  
25 one-fourth of the total tax credits designated to such regional  
26 SBTDC for the calendar year such that the regional SBTDC can  
27 allocate tax credits among the qualified Missouri businesses.  
28 The department shall then issue tax credits to qualified  
29 investors for cash investments in such qualified Missouri

1 businesses during that calendar quarter.

2 (5) At the end of each calendar quarter, each regional  
3 SBTDC shall report to the department any unallocated tax credits  
4 for the preceding quarter. Such report shall meet the  
5 requirements set forth in section 348.274. The department shall  
6 aggregate all such tax credits and reallocate them equally among  
7 the regional SBTDCs as soon as possible during the next  
8 consecutive calendar quarter. Each regional SBTDC shall receive  
9 such reallocation in addition to the new allocation of designated  
10 tax credits for such quarter.

11 (6) During the fourth calendar quarter, a regional SBTDC in  
12 need of additional tax credits for transactions closing in the  
13 fourth calendar quarter may request that another regional SBTDC  
14 with unallocated tax credits permit such unallocated tax credits  
15 to be allocated by the requesting SBTDC. No regional SBTDC shall  
16 be required to grant such request. When a granting SBTDC  
17 transfers the allocation of the unallocated tax credits to a  
18 requesting SBTDC under this subdivision, the granting SBTDC shall  
19 provide to the requesting SBTDC a written confirmation  
20 authorizing such transfer, the granting SBTDC shall include a  
21 copy of such written confirmation in its reports provided under  
22 section 348.274, and the requesting SBTDC shall include a copy of  
23 such written confirmation in its reports provided under section  
24 348.274.

25 5. (1) Before an investor may be entitled to receive tax  
26 credits under this section and section 348.274, such investor  
27 shall have made a cash investment in a qualified security of a  
28 qualified Missouri business. The business shall have been  
29 approved by a regional SBTDC as a qualified Missouri business

1 before the date on which the cash investment was made. To be  
2 designated as a qualified Missouri business, a business shall  
3 make application to a regional SBTDC in accordance with the  
4 provisions of this section.

5 (2) The application by a business to a regional SBTDC shall  
6 be in the form and substance as required by the department, but  
7 shall include at least the following:

8 (a) The name of the business and certified copies of the  
9 organizational documents of the business;

10 (b) A business plan, including a description of the  
11 business and the management, product, market, and financial plan  
12 of the business;

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

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

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

22 (f) Such other information as the regional SBTDC or the  
23 department may reasonably request.

24 (3) The designation of a business as a qualified Missouri  
25 business shall be made by the regional SBTDC, and such  
26 designation shall be renewed annually. A business shall be so  
27 designated if the regional SBTDC determines, based upon the  
28 application submitted by the business and any additional  
29 investigation the regional SBTDC shall make, that such business

1 meets the criteria established by the department. Such criteria  
2 shall include at least the following:

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

6 (b) Businesses that are not bioscience businesses shall  
7 have been in operation for less than five years, and bioscience  
8 businesses shall have been in operation for less than ten years;

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

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

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

19 a. The business of banking, savings and loan or lending  
20 institutions, credit or finance, or financial brokerage or  
21 investments;

22 b. The provision of professional services, such as legal,  
23 accounting, or engineering services;

24 c. Governmental, charitable, religious, or trade  
25 organizations;

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

28 e. Insurance;

29 f. Construction or construction management or contracting;

1           g. Business consulting or brokerage;

2           h. Any business engaged primarily as a passive business,  
3 having irregular or noncontinuous operations, or deriving  
4 substantially all of the income of the business from passive  
5 investments that generate interest, dividends, royalties, or  
6 capital gains, or any business arrangements the effect of which  
7 is to immunize an investor from risk of loss;

8           i. Any activity that is in violation of the law;

9           j. Any business raising money primarily to purchase real  
10 estate, land, or fixtures; and

11           k. Any gambling related business;

12           (f) The business has a reasonable chance of success;

13           (g) The business has the reasonable potential to create  
14 measurable employment within the region, this state, or both;

15           (h) The business has an innovative and proprietary  
16 technology, product, or service;

17           (i) The existing owners of the business and other founders  
18 have made or are committed to make a substantial financial and  
19 time commitment to the business;

20           (j) The securities to be issued and purchased are qualified  
21 securities;

22           (k) The business has the reasonable potential to address  
23 the needs and opportunities specific to the region or this state,  
24 or both;

25           (l) The business has made binding commitments to the  
26 regional SBTDC for adequate reporting of financial data,  
27 including a requirement for an annual report, or, if required by  
28 the regional SBTDC, an annual audit of the financial and  
29 operational records of the business, the right of access to the

1 financial records of the business, and the right of the regional  
2 SBTDC to record and publish normal and customary data and  
3 information related to the issuance of tax credits that are not  
4 otherwise determined to be trade or business secrets; and

5 (m) The business shall satisfy all other requirements of  
6 this section and section 348.274.

7 (4) Notwithstanding the requirements of subdivision (3) of  
8 this subsection, a business may be considered as a qualified  
9 Missouri business under the provisions of this section and  
10 section 348.274 if such business falls within a standard  
11 industrial classification code established by the department.

12 (5) A qualified Missouri business shall have the burden of  
13 proof to demonstrate to the regional SBTDC the qualifications of  
14 the business under this section.

15 6. Any rule or portion of a rule, as that term is defined  
16 in section 536.010 that is created under the authority delegated  
17 in this section and section 348.274 shall become effective only  
18 if it complies with and is subject to all of the provisions of  
19 chapter 536, and, if applicable, section 536.028. This section  
20 and chapter 536 are nonseverable and if any of the powers vested  
21 with the general assembly pursuant to chapter 536, to review, to  
22 delay the effective date, or to disapprove and annul a rule are  
23 subsequently held unconstitutional, then the grant of rulemaking  
24 authority and any rule proposed or adopted after August 28, 2013,  
25 shall be invalid and void.

26 348.274. 1. (1) Each regional SBTDC is authorized to  
27 allocate tax credits to qualified Missouri businesses. The  
28 department is authorized to issue tax credits to qualified  
29 investors in such qualified Missouri businesses. Such tax

1 credits shall be allocated to those qualified Missouri businesses  
2 which, as determined by the regional SBTDC, are most likely to  
3 provide the greatest economic benefit to the region, the state,  
4 or both. The regional SBTDC may allocate, and the department may  
5 issue, whole or partial tax credits based on the regional SBTDC's  
6 assessment of the qualified Missouri businesses. The regional  
7 SBTDC may consider numerous factors in such assessment, including  
8 but not limited to, the quality and experience of the management  
9 team, the size of the estimated market opportunity, the risk from  
10 current or future competition, the ability to defend intellectual  
11 property, the quality and utility of the business model, and the  
12 quality and reasonableness of financial projections for the  
13 business.

14 (2) Each qualified Missouri business for which a regional  
15 SBTDC has allocated tax credits such that the department can  
16 issue tax credits to the qualified investors of such qualified  
17 Missouri business shall submit to the regional SBTDC a report  
18 before such tax credits are issued. The regional SBTDC shall  
19 provide copies of this report to the department. Such report  
20 shall include the following:

21 (a) The name, address, and taxpayer identification number  
22 of each investor who has made cash investment in the qualified  
23 securities of the qualified Missouri business;

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

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

29 2. (1) The state of Missouri shall not be held liable for

1 any damages to any investor that makes an investment in any  
2 qualified security of a qualified Missouri business, any business  
3 that applies to be designated as a qualified Missouri business  
4 and is turned down, or any investor that makes an investment in a  
5 business that applies to be designated as a qualified Missouri  
6 business and is turned down.

7 (2) Each qualified Missouri business shall have the  
8 obligation to notify the regional SBTDC that allocated tax  
9 credits to the qualified Missouri business and the department in  
10 a timely manner of any changes in the qualifications of the  
11 business or in the eligibility of investors to claim a tax credit  
12 for cash investment in a qualified security.

13 (3) The department shall provide the information specified  
14 in subdivision (3) of subsection 4 of this section to the  
15 department of revenue on an annual basis. The department shall  
16 conduct an annual review of the activities undertaken under this  
17 section and section 348.273 to ensure that tax credits issued  
18 under this section and section 348.273 are issued in compliance  
19 with the provisions of this section and section 348.273 or rules  
20 and regulations promulgated by each regional SBTDC or the  
21 department with respect to this section and section 348.273.

22 (4) If the department determines that a business is not in  
23 substantial compliance with the requirements of this section and  
24 section 348.273 to maintain its designation, the department, by  
25 written notice, shall inform the business that such business will  
26 lose its designation as a qualified Missouri business one hundred  
27 twenty days from the date of mailing of the notice unless such  
28 business corrects the deficiencies and is once again in  
29 compliance with the requirements for designation.

1       (5) At the end of the one hundred twenty-day period, if the  
2 qualified Missouri business is still not in substantial  
3 compliance, the department shall send a notice of loss of  
4 designation to the business, each regional SBTDC, the director of  
5 the department of revenue and to all known investors in the  
6 business.

7       (6) A business shall lose its designation as a qualified  
8 Missouri business under this section and section 348.273 by  
9 moving its operations outside Missouri within ten years after  
10 receiving financial assistance under this section and section  
11 348.273.

12       (7) In the event that a business loses its designation as a  
13 qualified Missouri business, such business shall be precluded  
14 from being issued any additional tax credits with respect to the  
15 business, shall be precluded from being approved as a qualified  
16 Missouri business and shall repay any financial assistance to the  
17 regional SBTDC, in an amount to be determined by the regional  
18 SBTDC. Each qualified Missouri business that loses its  
19 designation as a qualified Missouri business shall enter into a  
20 repayment agreement with the regional SBTDC specifying the terms  
21 of such repayment obligation.

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

25       (9) The portions of documents and other materials submitted  
26 to any regional SBTDC or the department that contain trade  
27 secrets shall be kept confidential and shall be maintained in a  
28 secured environment by the regional SBTDC and the department, as  
29 applicable. For the purposes of this section and section

1 348.273, "trade secrets" means any customer lists, formula,  
2 compound, production data, or compilation of information that  
3 will allow individuals within a commercial concern using such  
4 information the means to fabricate, produce, or compound an  
5 article of trade or perform any service having commercial value,  
6 which gives the user an opportunity to obtain a business  
7 advantage over competitors who do not know or use such service.

8 (10) Each regional SBTDC and the department may prepare and  
9 adopt procedures concerning the performance of the duties placed  
10 upon each respective entity by this section and section 348.273.

11 3. Any qualified investor who makes a cash investment in a  
12 qualified security of a qualified Missouri business may transfer  
13 the tax credits such qualified investor may receive under  
14 subsection 4 of section 348.273 to any natural person. Such  
15 transferee may claim the tax credit against the transferee's  
16 Missouri income tax liability as provided in subdivision (1) of  
17 subsection 4 of section 348.273, subject to all restrictions and  
18 limitations set forth in this section and section 348.273. Only  
19 the full credit for any one investment shall be transferred and  
20 this interest shall only be transferred one time. Documentation  
21 of any tax credit transfer under this section shall be provided  
22 by the qualified investor in the manner required by the  
23 department.

24 4. (1) Each qualified Missouri business for which tax  
25 credits have been issued under this section and section 348.273  
26 shall report to the applicable regional SBTDC on an annual basis,  
27 on or before February first. The regional SBTDC shall provide  
28 copies of the reports to the department. Such reports shall  
29 include the following:

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

5       (b) The amounts of these cash investments by each investor  
6       and a description of the qualified securities issued in  
7       consideration of such cash investments; and

8       (c) Any additional information as the regional SBTDC or the  
9       department may reasonably require under this section and section  
10      348.273.

11      (2) Each regional SBTDC shall report quarterly to the  
12      department on the allocation of the tax credits in the preceding  
13      calendar quarter. Such reports shall include:

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

15      (b) The number and ratio of successful applications to  
16      unsuccessful applications;

17      (c) The amount of tax credits allocated but not issued in  
18      the previous quarter, including what percentage was allocated to  
19      individuals and what percentage was allocated to investment  
20      firms;

21      (d) The amount of unallocated tax credits; and

22      (e) Such other information as reasonably agreed upon by  
23      each regional SBTDC and the department.

24      (3) The department shall also report annually to the  
25      governor, the president pro tempore of the senate, and the  
26      speaker of the house of representatives, on or before April  
27      first, on the allocation and issuance of the tax credits. Such  
28      reports shall include:

29      (a) The amount of tax credits issued in the previous fiscal

1 year, including what percentage was issued to individuals and  
2 what percentage was issued to investment firms;

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

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

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

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

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

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

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

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

28 (4) Any violation of the reporting requirements of this  
29 subsection by a qualified Missouri business may be grounds for

1     the loss of designation of such qualified Missouri business, and  
2     such business that loses its designation as a qualified Missouri  
3     business shall be subject to the restrictions upon loss of  
4     designation set forth in subsection 2 of this section.

5             5. Notwithstanding sections 23.250 to 23.298 of the  
6     Missouri sunset act, sections 348.273 and 348.274 shall expire on  
7     December 31, 2019."; and

8             Further amend the title and enacting clause accordingly.