COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.:	7297H.06C
Bill No.:	HCS for SS for SCS for SB Nos. 1694 & 1688
Subject:	Economic Development; Tax Credits; Tax Incentives; Taxation and Revenue - General
Type:	Original
Date:	May 12, 2026

Bill Summary: This proposal authorizes financial incentives for economic development.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029	Fully Implemented (FY 2034)
General Revenue*/**	Could exceed ($8,558,097)	Could exceed ($59,650,192)	Could Exceed ($59,714,373)	Could Exceed ($62,100,968)
Total Estimated Net Effect on General Revenue	**Could exceed ($8,558,097)**	**Could exceed ($59,650,192)**	**Could Exceed ($59,714,373)**	**Could Exceed ($62,100,968)**

*Oversight notes the total cap under §99.918-980 MODESA is $108 million annually.
**Oversight reflects revenue cost(s) under various provisions of this legislation, including CPI adjustment as per §620.6021, and DOR and DED FTE cost.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029	Fully Implemented (FY 2034)
Park, Soil, & Water Sales Tax Fund (1613 & 1614)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
State Road Bond Fund (1319)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
State Road Fund (1320)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Conservation Commission Fund (1609)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
School District Trust Fund (1688)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Rural Missouri Development Fund*	$0	$0	$0	$0
Supplemental Downtown Development Fund *	$0	$0	$0	$0
Total Estimated Net Effect on Other State Funds	**(Unknown)**	**(Unknown)**	**(Unknown)**	**(Unknown)**

*Oversight assumes the fund will net to zero. Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029	Fully Implemented (FY 2034)
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029	Fully Implemented (FY 2034)
General Revenue	27 FTE	27 FTE	27 FTE	27 FTE
Total Estimated Net Effect on FTE	**27 FTE**	**27 FTE**	**27 FTE**	**27 FTE**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029	Fully Implemented (FY 2034)
Local Government	**(Unknown)**	**$0 or (Unknown) to Unknown**	**$0 or (Unknown) to Unknown**	**$0 or (Unknown) to Unknown**

FISCAL ANALYSIS

ASSUMPTION

§§99.918 - 99.980 - Missouri Downtown and Rural Economic Stimulus Act (MODESA)

In response to similar legislation, HCS for HB Nos. 3231 & 253 (2026), officials from the **Office of Administration - Budget & Planning (B&P)** assumed this proposal expands provisions in the Missouri Downtown and Rural Economic Stimulus Act (MODESA) program. This proposal may impact total state revenues; any additional disbursements under the MODESA program would be subject to appropriation.

Officials from the **Department of Revenue (DOR)** assume this proposal would expand the existing Missouri Downtown & Rural Economic Stimulus Act (MODESA). Under the existing program, development areas in cities or counties could apply to receive local and state incentives based on the number of new businesses locating in the development area and the number of new residents in these areas. Projects had to be approved by January 1, 2013, and commence with redevelopment. Based on the amount of increased development in the designated development area, the incentives were awarded.

The existing MODESA program allowed a portion of the new state and local taxes created by a project to be diverted, to fund eligible public infrastructure for up to 25 years. Local incentives included retention of local sales tax and property tax. The state incentive would allow a project to receive no more than half of the state sales tax or income tax it generated over its base year (prior to the development). The annual distributions to the projects was subject to appropriation and the appropriation was not allowed to exceed $108 million. DOR notes the amount allowed to be retained the last several years per the State Budget.

FY 2022	$1,614,885
FY 2023	$1,614,885
FY 2024	$1,614,885
FY 2025	$3,848,056
FY 2026	$3,848,056

The current Missouri Downtown & Rural Economic Stimulus Act is administered by the Department of Economic Development and the Missouri Development Finance Board (MDFB). The first change made by this proposal would remove the MDFB from administration of this program.

This proposal restructures the program to allow additional projects owned by the current developers to qualify for this program. This proposal allows the expansion of the current qualified projects into three additional non-contiguous areas each as long as each individual

project does not exceed more than 10% of the area of a city or county. Additionally, this project expands the types of incentives awarded under this proposal.

Incentives awarded under this program allow the development area to retain the following:

Economic Activity Taxes – taxes imposed by the city/county for doing business in the development district. (Section 99.918.(14))

Municipal Residential Earnings Tax – 10% of the total amount of earnings tax paid by new residents in the development district. (Section 99.918.(22)).

Other net new revenue- which allows a combination of state sales tax and income tax. (Section 99.918.(27))

Payment in Lieu of Taxes -revenue from property tax paid in the development district. (Section 99.918.(29))

State Income Tax – 50% of the income tax due the state on wages or salaries paid to new employees in the district. Additionally, 50% of the income tax due the state on wages or salaries paid to retained employees in the district. These 50% rates can be increased to 70% based on decision by DED. (Section 99.918.(32)).

State Residential Income Tax – 70% of the income tax due the state received in salaries and wages by taxpayers living in these development district buildings. (Section 99.918.(33)

State Sales Taxes – 50% but up to 70% of the sales tax collected in the district. (Section 99.918.(34)

State Sales Tax revenue- all sales tax collected that would be deposited into general revenue. Therefore the 3% general revenue portion on all items purchased. (Section 99.918.(35)

This proposal states that DED will calculate the amount to be disburse of the state income tax, the state residential income tax and the state sales tax. It is unclear how DED is to do the calculation, as DOR notes that due to the confidentiality laws DOR cannot provide information that is received on a tax return.

This proposal states that DED will disburse these benefits and is to work with DOR in determining the amount of the disbursement. This proposal delineates a formula to use in making these calculations but bases the formula on the requirement to use actual numbers received.

DOR does not track tax types by location. In order to supply tax data by location, DOR would first need to change their withholding forms to collect information on the number and location of employees. The change in the forms is estimated at $10,000.

DOR would also need to modify their business registration sales and use tax forms to have businesses report which locations they have in an approved project development area. Since the sales tax per this proposal would distribute sales tax back to the project development, DOR would need to track that revenue to ensure it is distributed differently than the current sales tax. The modification to the form is estimated to be $10,000.

The sales tax distribution computer programs would need to be modified to allow for the transfer to the project developers. The change to the distribution programs as well as the sales/use tax maps is estimated to cost $100,000.

DOR's individual income tax and withholding tax systems would need to be updated to allow the collection by address and distribution to the designated projects rather than general revenue. The upgrade to all our different individual income tax processing and distributions systems is estimated to be over $5,000,000 (based on a bid DOR received to make changes to just our sales tax system).

DOR assumes the need for an additional Auditor ($83,530 salary plus years of service pay) to track these projects. This person would also ensure that taxpayers claiming to be in these project areas are properly reporting all taxes. DOR notes that all taxes under this proposal are still required to be paid and then only after collected would be distributed back to the developers.

This provision allows these projects to receive benefits under this program as well as under any other tax credit program or other incentive program. This also allows them to retain other taxes and fees collected in the project area which include personal property tax, transient guest taxes and local fees. DOR notes that the Department do not collect personal property tax, transient guest taxes and fees. DOR defer to the counties and cities to estimate the impact of the loss of these revenue sources.

DOR does not have a way to estimate the number of residents in these development areas or the number of businesses as these development projects are allowed to expand up to 10% the size of a city and to not be contiguous to the original qualified development project. DOR notes that should a developer be approved to receive all the income tax, withholding tax and sales tax generated in the district instead of the state, this would result in a reduction of revenue to general revenue from the income & withholding tax. It would also result in a loss of revenue to the state sales tax funds which are general revenue, school district trust fund, conservation commission and the DNR park, soil & water funds. DOR notes there is no cap on the amount of revenue that can be distributed to the developers. DOR assumes the loss would be over $250,000 annually starting in FY 2027.

MODESA SUMMARY

DOR will need at least one additional FTE and related expenses costing over $5 million in computer upgrades to be able to track this revenue by project. Additionally, this will result in an unknown loss to the state to general revenue and the state sales tax funds.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimate as provided by the DOR.

Oversight will reflect an unknown revenue loss to general revenue, various state funds, and local political subdivisions. Oversight assumes the revenue loss could substantially exceed $250,000.

Oversight notes the cap under MODESA is $108 Million annually; however, per §99.1260.2(16) of this proposal, §99.960 shall not apply to expanded development projects.

Oversight notes that according to the State Treasurer, fiscal year end activities 2025, the fund activity was as follows:

Beginning balance: $82,986
Receipts: $0
Disbursement: $2,130,414.89
Transfer in: $2,192,188.07
Transfer out: $0

Current Balance: $144,759.89

Oversight will show unknown amount of funds being transferred into the supplemental downtown development fund (1766) and transfer out the monies to the local political subdivisions for purpose of the project financing netting the Fund to zero.

Officials from the **Department of Economic Development (DED)** state:

The impact of 99.918 - 99.980 is unknown but positive.
The impact of 620.6012 does not have an impact.
The impact of 620.6000-620.6033 is unknown but significant.

99.918 — revises and expands key definitions to support expanded development projects. Adds “expanded development area,” “expanded development project,” “state residential income tax increment,” and “municipal residential earnings tax increment,” and updates rules on state income and sales tax increments, including treatment of out of state relocations. These widen the scope of projects and revenues that may be approved by the Department for state supplemental financing.

§99.930 — reduces the challenge period for contesting approval of a development plan, expanded development plan, development project, or expanded development project from 90 days to 30 days.

§99.933 — Provides that authorities may implement and administer both development and expanded development projects, including acquiring property, issuing obligations, conducting studies, and undertaking improvements.

§99.936 — Extends procedures governing property acquisition and disposition for development areas to expanded development areas and expanded development projects.

§99.942 — Requirements for Development and Expanded Development Plans
Requires development and expanded development plans to include:
• maps and legal descriptions,
• studies of blight or undeveloped character,
• feasibility analysis,
• cost–benefit projections,
• detailed revenue projections, including residential income and population data for expanded areas,
• identification of project boundaries, with expanded development areas allowed to include up to three noncontiguous areas within the central business district,
• and calculations of municipal residential earnings tax increment and state residential income tax increment.

§99.948 — Establishes the process for adopting an expanded development area and expanded development project, including ordinance adoption, findings of necessity, feasibility requirements, and incorporation of expanded revenue types such as state residential income tax increment.

§99.951 — Requires public hearings before approval, amendment, or modification of development or expanded development plans and project areas.
Boundary changes may require an additional hearing unless the boundaries are reduced or modified in a way that does not add new parcels.

§99.954 — Authorizes municipalities to issue obligations for development and expanded development projects and to pledge project revenues toward debt retirement.
Establishes a maximum term of 30 years for obligations and for payment streams such as PILOTs and EATs dedicated to those obligations.

§99.957 — Defines “economic activity taxes” for development and expanded development projects and expressly excludes personal property taxes, transient guest taxes, licenses, fees, and special assessments. Authorizes local allocation of PILOTs, EATs, and municipal residential earnings tax increment to pay development or expanded development project costs, subject to adoption of a local ordinance.

§99.960 — Allows the Department to approve the following for up to 30 years:
• Up to 70% of state income tax increment,
• Up to 70% of state sales tax increment,
• Up to 70% of state residential income tax increment.
Requires cost–benefit analysis, an affidavit that the area would not be reasonably anticipated to develop without state appropriation of other net new revenues, and prohibits approval if projected state costs exceed projected state benefits. Also removes the Missouri Development Finance Board from the approval process, making DED the sole certifying authority.

§99.963 — Authorizes the Fund to distribute state revenues to both development and expanded development projects approved by the Department.
Retains the $108 million statewide annual limit for total disbursements and requires pro rata reductions when requests exceed the cap.

§99.965 — Requires that upon termination of a development or expanded development plan, surplus funds be returned proportionally to the taxing jurisdictions, including the state.
All obligations and reimbursements must be completed within 30 years.

§99.968 — Establishes that the initial assessed valuation for development and expanded development areas is fixed at the base year for up to 30 years, with increments above that base captured for the benefit of the project.

§99.975 — Prohibits new development project applications after July 1, 2013. Allows expanded development project applications through January 1, 2037.

§99.980 — Requires municipalities to submit annual reports including project revenues, job creation/retention data, payroll data, construction activity, compliance information, and reconciliation of state disbursements. Non compliant projects may have state payments suspended.

Residential Increments creates state residential income tax increment (up to 70%), and Municipal residential earnings tax increment (based on municipal earnings tax).
Applies to natural persons residing in primarily residential buildings in an expanded development project area post baseline.

Retained Job Increments - State income tax increment may include tax associated with retained employees, not only new jobs, where the Department determines that retaining jobs is necessary for project feasibility.

Feasibility Affidavit - Applicants must certify by affidavit that the development area and expanded development area would not reasonably be anticipated to develop without appropriation of other net new revenues.

State Benefit Limitation - The Department may not approve a project if projected annual state

disbursements exceed projected annual state benefits.

Pro Rata Reductions - If total statewide requests exceed the $108M annual program limit, the Department must apply pro rata reductions across projects.

Oversight notes the cap under §99.918-980 MODESA is $108 Million annually.

Section 620.2012 New Capital Investment Tax Credit Program

Officials from the **Department of Revenue** assume this proposal creates a new tax credit program that would allow a qualified company spending at least $30 million in a certified Missouri innovation zone or a qualified company spending at least $50 million outside a Missouri innovation zone to qualify for a tax credit equal to 2.5% of the capital invested. Therefore, a company that spends $30 million would qualify for a tax credit equal to $750,000 while a company that spends $50 million would qualify for a tax credit equal to $1,250,000.

This proposal notes that the cap on this new capital investment tax credit will be subject to the annual cap of the MO Works Program. DOR notes the MO Works cap is currently fully issued and therefore, DOR is unsure if any new company would qualify for credits under this program. Since this program is subject to the existing MO Works cap, there is no additional revenue impact to the State.

DOR will need to modify our MO-TC form ($2,200) and our income tax computer programs ($7,546) to add the new tax credit. DOR staff is no longer able to take on any new tax credit programs without additional staff. DOR would need one Associate Customer Service Representative ($42,953 salary plus years of service pay) to handle the processing and redemption of this new credit.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DOR.

§§620.6000 - 620.6033 - Missouri Innovation, Public Safety, and Accountability Act

§§620.6000 & 620.6003 - Innovation District Program (Framework)

Officials from **DOR** assume this provision would allow cities to create a single innovation zone. DOR notes that this would allow **all** cities in the state to create a single innovation zone. These innovation zones are not restricted in size. Therefore, numerous residents and businesses can benefit from being in the declared innovation district.

Once a city creates an innovation zone, qualified applicants, businesses and individuals living or working in the zone, would become eligible for state-administered incentives including income tax exemptions and numerous existing and newly created tax credit programs (Section

620.6003). Additional local incentives such as tax abatement and tax increment financing benefits are also available. DOR notes this innovation zone program does not have a sunset clause.

The incentives include:

Employer retention & reinvestment incentive
Employer relation incentive
Office-to-Residential incentive
MO Opportunity Zone tax deferral
MO Angel Investment Incentive
Property Tax Abatement
Tax Increment Financing

This proposal also creates several new funds:

Rural MO Development Fund
Public Safety Fund

This provision would allow DED to create a master scorecard for determining which businesses can qualify for incentives under this proposal. The scorecard is to be used by both DED and the local government to estimate the amount of incentives for which a business or individual can qualify.

Since benefits will be awarded to individuals living and/or working in the district and companies will receive incentives for locating in an innovation zone, DOR will be required in the future to track all income tax, withholding tax and sales tax by location. Per this proposal, DOR will already have to track this information for the MODESA program and therefore does not expect additional impact from the creation of the zones.

In response to similar legislation, HCS for HB Nos. 3231 & 253(2026), officials from the **Office of Administration – Budget & Planning (B&P)** assumed §620.6000 requires the newly created innovation zones to be overlay existing historic downtown, central business, or MO Main Street districts. Upon designation of an innovation zone, state tax incentives will be available and local tax incentives may be available.

§620.6003 requires that 50% of new property tax revenue generated within an innovation zone be diverted to public safety. DED may retain a portion of the diverted funds for program administration costs. B&P notes that this provision could increase TSR by allowing DED to retain what is normally local property tax revenue.

Officials from the **Department of Economic Development (DED)** note:

620.6000 – Missouri Innovation, Public Safety, and Accountability Act

Application is made by a project sponsor to the Department of Economic Development. Within this application, the Department will review a description of the proposed project, documentation demonstrating eligibility for incentives sought, and any information necessary to evaluate under a Master Scorecard.

The Department must establish and administer a process for cities to submit their application for designation of an innovation district by submitting an innovation district master plan.

The Department must coordinate with the local reviewing authority and city regarding district level implementation.

Application can be made by any city.

The Department's approval authority is limited to determining whether a proposed innovation district boundaries are reasonable in geography and are generally consistent with this section. Otherwise, information provided in the master plan is informational and is not subject to discretionary approval, modification, or denial by the Department.

The Department has 45 days to review and approve otherwise the application will be automatically approved.

Determines the criteria/categories in which the master scorecard shall evaluate projects. The

Department will determine, through rule, the point values assigned to each category.

The Department must issue written certification of approval within 45 calendar days.

States that in order to maintain designation as an innovation district, a participating city shall adopt, establish, or designation the policies, processes, and authorities set forth in this section within 6 months of becoming a designated innovated district.

States any property subject to an existing TIF plan or tax abatement agreement at the time of innovation district designation will continue under terms of the established agreement and nothing in 620.6000-6024 will impair, modify, or terminate such agreement.

Properties within an innovation district that are not subject to an existing project-specific TIF or property tax abatement agreement will have 50% of incremental increase in real property tax revenues generated after designation deposited into the applicable innovation district public safety fund, established under 620.6009.

New development or redevelopment projects within an innovation district may elect, at the time of project approval, whether to commence a project-specific TIF plan for the max term authorized by law or a property-specific property tax abatement for the max term authorized by

law. They could also elect to proceed without either incentive.

Authorizes the department to track compliance of the innovation districts to ensure they adopt or maintain on or more requirements of this section, and if not, notify the city of such non-compliance. The city will have 90 days to cure, otherwise, the Department will suspend or revoke the designation. Any incentives, agreements, approvals, or benefits previously awarded would not impaired, modified, terminated or affect validity, or give rise to any claim for damages against an applicant. All projects that received approval or entered into binding agreements in reliance on innovation district designation prior to noncompliance shall be permitted to proceed.

Requires the Department to prepare and submit a biennial written report to the general assembly summarizing the status, performance, and outcomes of the innovation district program. Department may retain, subject to appropriation, a limited portion of net-new state revenues generated under 620.6000-6024 solely for the administration of the innovation district program.

The Department would be responsible for:

- Promulgating rules for this program
- Developing the Master Scorecard to evaluate incentives for projects located within an innovation district.
- Once scored, the Department will need to assign project applications to incentive tiers based on their normalized score and a project that scores 100 points shall be entitled to the most favorable incentive package available under state law, subject to statutes that apply.
- Evaluating each application
- Tracking the progress of the district master plan
- Track whether the city has adopted, established, or designated the policies, processes, and authorities within 6 months of being designated an innovation district:
- Tracking must continue to ensure the city maintains such things.
- Notify city of noncompliance and then track that the city responds and cures within 90 calendar days from receipt of notice.
- Department will either remove suspension or revoke designation:
- Collect, analyze, prepare and submit a biennial report to the general assembly summarizing:
- The number of innovation districts designated and communities participating during the reporting period
- Number and types of projects approved within innovation districts and the distribution of incentive tiers authorized under the Master Scorecard
- Aggregate counts of housing, commercial, or mixed-use activation
- Other redevelopment occurring within innovation districts
- Aggregate counts of employment impacts, including net new or retained employment where such data is available

- Summary of public safety, infrastructure, or other public investment activities undertaken within innovation districts
- Any observations or recommendations that may assist the general assembly in evaluating the effectiveness of the program

The fiscal impact:

Department retain a limited portion of net new state revenues generated under 620.6000-6024 solely for administration of the innovation district program, subject to appropriation. Unknown amount.

§620.6006 – MO Innovation Zone One Stop Shop

Officials from the **DOR** assume this provision requires the local political subdivisions designating an innovation zone to have a one stop shop for approval of planning and zone laws. These provisions will not fiscally impact DOR.

Section 620.6006.11 requires that any innovation district not within a tax increment financing plan, to deposit 50% of their net-new revenue from real property tax into this proposal's newly created Public Safety Fund. Property tax is handled by the State Tax Commission and County Assessors. DOR defers to them for the administration impact and fiscal impact of this transfer.

Section 620.6006.15 allows DED to retain a fee from the net-new state revenue in these innovation zones. This proposal does not limit the amount of fee that can be retained. Additionally, DED is allowed to charge an application fee, participation fee or administrative fee to any recipient of a tax credit up to 2.5% of the value of the credit. These application and participation fees are not limited. DOR defers to DED to estimate the amount of the fees they plan to receive.

Section 620.6006.17 requires DOR to provide tax information to administer all the provisions in sections 620.6000 to 620.6033. DOR is unable to determine what information may be wanted and how often. Should this require a significant amount of time it could result in the need for an additional FTE or overtime being paid. DOR notes that much of the information that may be required is confidential and not allowed to be provided per the Internal Revenue Code. DOR notes the Department will not disclosure protected information.

This provision gives DED rulemaking authority over sections 620.6000 to 620.6033, but not DOR. However, several provisions within those section numbers require DOR to be the administrator. Without proper rulemaking authority, it is unclear if DOR will be able to administer the required sections.

DOR notes this proposal attempts to place a stop date on this proposal 10 years from the effective date of the proposal. DOR notes this language is not a proper sunset clause which is required per Section 23.253.

In response to the similar legislations (HCS for HB Nos. 3231 & 253), officials from the **B&P** §620.6006 clarified that the property tax revenue shall not include the statewide ($0.03 per $100 value) property tax levy.

All tax incentives created within this proposal shall sunset August 28, 2036.

§620.6009 - Rural MO Development Fund

Officials from the **DOR** assume this provision requires communities in the state to contribute funding to a Rural Missouri Development Fund. They would be required to submit 10% of all net-new sales tax revenues received by the community that are generated within an innovation zone. DOR assumes the distribution of the 10% would be made at the same time DOR distributes the sales tax revenue collected each month.

This Fund is administered by DED and therefore will not fiscally impact DOR. DOR defers to DED for an estimate of the revenues expected to be deposited.

In response to the similar legislations (HCS for HB Nos. 3231 & 253), officials from the **B&P** assumed if a city has an innovation district and is within the top 5% of all cities for assessed taxable property valuation, then that city must pay 10% of new property tax revenue generated within that district to a newly created "Rural MO Development Fund". Monies in the fund will be granted to smaller communities for various needs.

B&P Note: Per Article III, Section 38(b) there is a statewide ($0.03 per $100 value) property tax levy. B&P assumes that this constitutional portion of the tax cannot be diverted.

Officials from the **DED** note §620.6009 establishes the Rural Missouri Development Fund that is administered by the Department.

Defines a contributing communication as a municipality that has designated one or more innovation districts and has a total certified assessed valuation that ranks within the highest 5% of all MO municipalities statewide, as more recently determined by the Missouri State Tax Commission or the DOR. If a municipality meets the criteria, they are required to contribute to the Missouri rural development fund. Each contributing community shall annually contribute 10% of net new property tax revenues actually received from such communities that are generated within its innovation district above baseline.

Award monies to rural municipalities, smaller municipalities that do not meet the definition of contributing community, or local or regional development organizations, community development corporations, or similar entities applying on behalf of or in coordination with such communities. Receipt of funds under this section shall not require a community to establish an innovation district.

The Department will be responsible for:

- Promulgating rules and regulations
- Determine the application and award process for monies deposited into the Missouri Rural Development Fund.
- Award monies to rural municipalities, smaller municipalities that do not meet the definition of contributing community, or local or regional development organizations, community development corporations, or similar entities applying on behalf of or in coordination with such communities.
- Award will be determined based on:
- Project readiness
- Demonstrated community need
- Alignment with the purpose of 620.6006.

The fiscal impact:

Contributing to communities will be required to contribute an amount equal to 10% of the net new property tax revenues actually collected to the Missouri Rural Development Fund.

1% of revenue collected from the net new property tax generated by a contributing community shall be deposited into the fund for the department to be used toward administrative fees to administer 620.6006. Unknown amount.

§620.6012 - Innovation Zone Public Safety Fund

Officials from the **DOR** assume this provision would require the creation of the Innovation Zone Public Safety Fund. It appears this would be a local fund, administered by the innovation district but receive state revenue. The proposal says this Fund will receive "net-new state economic revenue". Economic revenue is defined as state income tax and state sales tax.

The Fund is to retain 50% of the state sales tax revenue and state income tax withholdings that would have been deposited into general revenue. However, this proposal goes on to exclude from the 50% money already designated for another purpose. Those exempt revenues include super tax increment financing districts, MODESA projects, tourism infrastructure projects, AIM Zone projects, entertainment district projects, and any other program eligible for "new revenue". DOR defers to DED for an estimate of the revenue that will be transferred annually into this Fund.

DOR notes that the "state sales tax" is 4.225% on all things other than motor vehicles and is currently deposited as follows. DOR notes that no sales tax collected on motor vehicles is deposited into general revenue and therefore, no motor vehicle sales would be included.

General Revenue is 3%
School District Trust Fund is 1% (Section 144.701)

Conservation Commission Fund is .125% (Article IV, Section 43(a))
Parks, Soil & Water Funds .1% (Article IV, Section 47(a))

Language in this proposal says that the sales tax which would otherwise have been deposited into general revenue would go to this Fund. Therefore, DOR assumes that only 50% of the 3% deposited to general revenue would be eligible for this transfer.

This proposal would also require the Fund to retain the state income tax withholdings that are attributable to wages occurring in the innovation district. However, several other provisions in this bill may no longer require state income tax withholding to be remitted from employees in the district. It is unclear how much tax will be collected from these districts.

This proposal requires DOR to certify within 120 days the amount of "net-new revenue" attributable to each innovation zone. DOR does not track the tax types (sales and income tax) by location. In order to supply tax data by location, DOR would first need to change the Department's forms to collect information on the number and location of employees. DOR's business registration forms will need modification to have businesses report which locations they have in an innovation zone. This form change is estimated at $10,000. Additionally, DOR would need to modify the computer programs to collect and distribute revenue by district. The forms and computer modifications would be done, at the same time as the MODESA changes.

The sales tax distribution computer programs need to be modified to allow for the 50% transfer to the Innovation Zone Public Safety Funds. The change to the distribution programs as well as the sales/use tax maps is estimated to cost $100,000.

DOR assumes that Department would also need an additional Auditor ($83,530 salary plus years of service pay) to administer the proper distribution of the impacted revenue. Additionally, this person would ensure the proper reporting of all taxes by individuals living and working in the district as well as the businesses reporting in the district. This person would ensure that the distribution is correctly identifying which revenue goes to the city and which goes to this fund.

DOR notes there is no cap on the amount of revenue that can be distributed to the Innovation Zone Public Safety Funds. The sales tax distributed to this fund is revenue that would have gone to the locals if it weren't for this proposal. DOR assumes since they authorize the creation of the district they approve of this loss.

This proposal will also result in a loss to the state general revenue fund. The transfer of revenue that would have been deposited into the state general revenue fund and instead will go into this local Innovation Zone Public Safety Fund will result in a loss of state revenue. The amount of loss is unknown. For fiscal note purposes only, DOR will show the loss to general revenue of over $250,000 annually starting in FY 2027.

In response to the similar legislation (HCS for HB Nos. 3231 & 253), officials from the **B&P** assumed the newly created fund will receive 100% of all withholdings related to construction

within the innovation district. After construction is complete, the fund will receive 50% of all newly generated state GR sales tax and income taxes within the district.

Construction Phase = 100% withholdings
Operation Phase = 1.5% sales tax, excluding motor vehicles (50% of the 3% state GR sales tax) + 50% of state income tax

B&P notes that this will only capture the 3% state general revenue sales tax. It will not divert the 1% School District Trust Fund, 0.125% Conservation, or 0.1% DNR sales taxes. In addition, sales taxes generated from motor vehicles are not deposited into GR and will also not be diverted to this new fund.

This provision will reduce TSR and GR by an unknown, could be significant, amount.

This provision relies on "baseline revenues" to determine the portion of newly generated revenues within a zone. The term baseline includes all state sales taxes and withholdings generated within the district in the 12 months prior to the district designation. B&P notes the following issues:

• Baseline revenues are not limited to only the GR portion of state sales tax, whereas the amount of newly generated revenues subject to diversion is limited to the GR portion of sales taxes.

• Baseline revenue is based on wage withholding and not final income tax liability. Employees elect to have their wages withheld in whatever amount they choose. Those withholdings may equal more or less than what the employee actually owes for state income taxes.

During construction, projects may receive a pre-payment of up to 25% for anticipated withholdings. If actual withholdings are less than the pre-payment received, the project sponsor must either pay the difference back or offset the excess payments against future tax incentives.

Officials from the **DED** note §620.6012 establishes the Innovation District Public Safety Fund for the purpose of reinvesting a portion of net new state economic activity generated within an innovation district into public safety, public infrastructure, and related improvements that support sustained district vitality.

States this section does not apply to any geographic area located within a state TIF, MODESA, or other similiar areas listed within whether established before or after the innovation district designation.

Monies remitted from the innovation district public safety fund may be used for capital or operating expenditures related t o public safety and public realm improvements within the designated area.

§620.6015 - Move to Missouri Income Tax Exclusion

In response to similar legislation, HCS for HB Nos. 3231 & 253 (2026), officials from the **B&P** assumed individuals moving into an innovation zone from outside of Missouri will be exempted from state income tax as long as they maintain their primary residence. This exemption will begin with tax year 2027.

In order to qualify the taxpayer must not have had a Missouri adjusted gross income in the prior three tax years and must earn at least $75,000 per year.

In response to the previous version, officials from the **DED** noted §620.6015 establishes an income tax abatement incentive for qualifying individuals establishing residency within an innovation district. This section is administered by the Department of Revenue, however, the Department of Economic Development is responsible for promulgating rules for the section, consulting with DOR.

The Department will be responsible for:

- Promulgate Rules and Regulations

§620.6018 - Employer Retention & Reinvestment Withholding Incentive

Officials from the **DOR** assume starting January 1, 2027, an eligible employer may enter into a contract with DED to receive a "withholding benefit". A withholding benefit is defined as the income tax withholding of eligible employees (those that work in the innovation zone). The withholding benefit can be received by the employer as either a tax credit or through retention of withholding.

This proposal attempts to modify state income tax withholding. DOR notes that income tax withholding is money earned by a worker that is paid in advance of their final calculation of state income tax liability (prepayment of tax they will owe). It is not an employer expense. Employees make these payments out of their paychecks. This money is sent to DOR to be applied to their tax account.

This proposal appears to want to allow DED to provide a credit to the employer or allow the employer to keep, the amount the employee would pay DOR. This proposal requires the employer to submit an application and DED to determine the method of the retained withholding. This proposal requires DED to verify the actual amount of state income tax withholding attributable to the project. DOR notes that the income tax and withholding tax computer systems do not track employee withholding by project or location but rather than by employer. Modifying the system to track all employee withholding by location as well as by employer would require updates to the systems. Those costs are included in the costs stated in section 99.918.

This proposal states that DED can decide whether to issue the credit or allow the retention of withholding.

However, language in this proposal does not allow the credit to be applied to withholding tax that the employer must remit to DOR or against income tax. Therefore, DOR is unsure what tax other than corporate tax the tax credit could only be used against. DOR will need to modify the MO-TC form at a cost of $2,200. Additionally, updates to the tax reporting software adding this credit will cost $1,887.

This proposal would allow DED to authorize the retention of withholding instead of a tax credit. This proposal limits the withholding benefit to no more than 3% of the aggregate gross wages paid to an employee in the innovation zone. The withholding benefit can be issued for up to 10 years. DOR notes that should an employee also live in the innovation district the employee may have their income tax deferred in Section 620.6027 and therefore would not need to have withholding done on them. DOR notes that the employers will need to send all the withholding to DOR and let DOR determine which withholding is eligible to be retained. Then DOR would refund the appropriate amount back to the employer. Updates to the withholding system are covered in the costs listed in section 620.6012.

DOR will require employer's wishing to receive the retention benefit to complete a form to file with the DOR to indicate the qualifying employees so DOR can track the withholding. The creation of the form will cost $10,000. This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of $42,953 (salary plus years of service pay) to track the qualifying employee accounts and to handle any clawbacks that may be necessary.

This proposal does not allow the credits to be refundable, assignable, sellable or transferable. However, it does allow employers to simultaneously participate in other tax incentive and income tax withholding programs offered by the state.

Employers getting to retain withholding or DOR refunding the withholding paid will result in a loss of funding to general revenue. This proposal does not have a cap and therefore the total loss cannot be estimated but could potentially exceed a million dollars annually. For fiscal note purposes only, DOR will show a that could significantly exceed $250,000 annually. This will start in FY 2027 based on the start date of the proposal.

Fiscal Year	**Loss to General Revenue**
2027	(Could exceed $250,000)
2028	(Could exceed $250,000)
2029	(Could exceed $250,000)

In response to the similar legislations (HCS for HB Nos. 3231 & 253), officials from the **B&P** assumed this provision would allow employers to receive a withholding tax credit equal of up to 3% of annual gross wages paid to employees each tax year for up to ten years, beginning tax year 2027. All retained monies must be used for qualifying reinvestment costs within the zone. In

addition, employers may continue to use other state tax incentives that rely on withholding retention. Benefits from those programs would apply before this incentive.

This limit is based on wages and not withholdings. Withholdings are a percentage of wages paid. However, as long as the effective tax rate in Missouri remains above 3%, this limitation should remain binding at an amount below aggregate withholdings.

B&P notes that there is no limit to the amount of withholdings that may be retained under this section. This provision could reduce TSR and GR by an unknown, could be significant, amount beginning FY27 (through withholding retention).

Officials from the **DED** note §620.6018 establishes an employer retention and reinvestment withholding incentive for retention of jobs and reinvestment by businesses establishing a continuous presence in an innovation district. These jobs do not have to be new jobs, and the business does not have to be new to the area. The eligible employer may have qualifying reinvestment expenditures.

An eligible employer may, but is not required to, apply to enter into a withholding agreement with the Department on or after January 1, 2027.

§620.2018 states any withholding benefit received under this section shall be used solely for qualifying reinvestment expenditures actually incurred and paid under the withholding agreement.

To receive benefits, an eligible employer must operate within the innovation district, demonstrate a commitment to remain at the location for not less than 5 years, complete QRE under the withholding agreement, maintain not less than 95% of baseline payroll, subject to notice and cure, and submit any other information reasonably requested by DED.

The employer may participate in the incentive authorized under this section concurrently with Missouri One-Start program and Missouri Quality Jobs. Missouri One-Start and Missouri Quality Jobs shall be collected and disbursed prior to the collection and disbursement of the withholding benefits under this section.

The Department will be responsible for:

- Promulgate Rules and Regulations
- Rules may establish aggregate or annual program caps to manage fiscal exposure.
- Establish an application process.
- Establish baseline payroll for each applicant.
- Write and execute a withholding agreement.
  Applications for withholding may be submitted at any time and the Department has 45 calendar days to approve or deny applications and must approve the application unless the applicant does not meet the eligibility requirements of this section, or the applicant is

not in good standing with DED or DOR with respect to tax compliance or reporting obligations. Auto approval if not approved or denied within 45 days.
- DED would need to review and approve payroll reports quarterly unless agreed to semi-annually.

The fiscal impact:

- Withholding benefit is the state income tax withholdings attributable to eligible employees that an eligible employer is authorized to receive, either through a credit or through authorized retention of such withholdings, which may be carried forward.
- Withholding Tax Credit – nonrefundable credit equal to all or a portion of the withholding benefit authorized under a withholding agreement under this section, which may be carried forward.
- Withholding benefit shall not exceed 3% of aggregate gross wages paid to eligible employees at the innovation district location during a tax year.
- Withholding benefit may be authorized for up to 10 years. May be carried forward for up to 10 years.
- Not guaranteed to be net new to the state. It could be existing, especially since any city can establish an innovation district and companies can move around.

§620.6021 - Employer Relocation Withholding Incentive

Officials from the **DOR** assumed starting January 1, 2027, this would allow an eligible employer to receive a $5,000 tax credit for each eligible employee that relocates from out of state to live in an innovation district or within 10 miles of an innovation district. The employer must show proof of incurring and paying the relocation expenses (identified in this proposal).

The tax credits are not refundable, but this proposal also allows the credits to be carried forward five years. This proposal does not allow the credits to be transferred, sold or assigned.

This proposal would become effective on January 1, 2027, and the first time the returns claiming the credits can be filed are January 1, 2028 (FY 2028). There is no cap on the amount of credits that can be issued annually. Therefore, DOR assume this will be a loss of general revenue annually that could exceed $250,000.

Fiscal Year	**Loss to General Revenue**
2027	$0
2028	(Could exceed $250,000)
2029	(Could exceed $250,000)

This proposal creates a new tax credit programs that will require a new line being added to the Form MO-TC ($2,200), updates to the Department's website and changes to the individual income tax computer system ($1,887). These changes are estimated to cost $4,087. DOR's existing tax credit staff is no longer able to take on any additional tax credits without additional

resources. Due to the intensive knowledge of credits that is needed DOR is not able to use temporary staff to help with processing these returns. This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of $42,953 (salary plus years of service pay).

In response to the similar legislations (HCS for HB Nos. 3231 & 253), officials from the **B&P** assumed this provision would grant a $5,000 per taxpayer tax credit for relation costs beginning tax year 2027. To receive the tax credit a qualifying business must be relocating from outside of Missouri and paying the relocation costs for qualifying employees also moving from outside of Missouri. Businesses must move into the innovation zone, whereas employees may move within 10 miles of the zone. Employees must reside within 10 miles of the zone for at least one year, or the qualifying business will be required to pay back that employee's portion of the relocation tax credit.

The credit is not refundable but may be carried forward for up to 5 years. There is no limit on the amount of tax credits that may be awarded each year. Therefore, B&P estimates that this proposal could reduce TSR and GR by an unknown amount annually, beginning FY28 (when tax year 2027 annual returns are filed).

Officials from the **DED** note §620.2021 establishes an employer relocation withholding tax credit incentive for an individual who relocates from a location outside the state of Missouri to accept employment with an eligible employer and establishes a primary residence within an innovation district or a location within 10 miles of an innovation district, measured in a straight-line distance (as long as still in MO), and earns an annual wage of at least $70K. The eligible employer must be a business entity that was not conducting business operations within the state of Missouri prior to establishing operations within an innovation district and establishes a business location within an innovation district.

The Department will be responsible for:

- Promulgate rules for the program.
- Develop program application, guidelines, and review process.
- Review documentation and authorize/issue tax credits.
- DED/DOR must track employee residence from time of authorization through 12 months after tax credit is claimed.

The fiscal impact:

- Tax credit for all tax years beginning on or after January 1, 2027 for an eligible employer in an amount up to $5K per eligible employee for eligible relocation expenses incurred on behalf of such employees.
- Tax credit is refundable and may be carried forward for up to 5 years.
- The Department of Revenue may recapture tax credits claimed by an employer if the eligible employee relocates to another residence that no longer meets the requirements

provided under this section within 12 consecutive months after the state tax credit is claimed.

§620.6024 - Office-to-Residential Conversion Incentive

Officials from the **Department of Revenue t**his proposal attempts to create two new tax credit programs, both starting January 1, 2027. It appears the intent of the proposal is to allow credits for converting blighted or abandoned buildings into residential use.

Conversion Expenditure credit
The first credit allows a taxpayer to receive a tax credit equal to 25% of qualified conversion expenditures. The tax credit is not refundable but can be carried forward ten years. The credits may also be transferred, sold or assigned.

Upper Floor credit
The second credit allows a taxpayer to receive a tax credit up to 30% of qualified conversion expenditures. The tax credit is not refundable but can be carried forward ten years. The credits may also be transferred, sold or assigned.

DOR notes that per Section 620.6024.5 these two tax credit programs will share a $50 million annual fiscal year cap. This proposal limits 50% of the available cap ($25 million) to structures of more than 750,000 square feet and 25% of the cap ($12,500,000) to upper-floor housing projects. DED is named as the administrator of these credits.

These tax credits would become effective on January 1, 2027, and the first time the credits can be claimed on an income tax return would be January 1, 2028 (FY 2028). These credits will result in a loss to general revenue of $50,000,000 annually.

Fiscal Year	Loss to General Revenue
2027	$0
2028	(Unknown greater than $50,000,000)
2029+	(Unknown greater than $50,000,000)

This proposal creates two new tax credit programs that will require two new lines being added to the Form MO-TC ($2,200 * 2), updates to the Department's website and changes to the individual income tax computer system ($1,887 * 2). This would also require DOR to create a form for the transfer of these credits. The cost to create the form is $10,000. These changes are estimated to cost $18,174. DOR's existing tax credit staff is no longer able to take on any additional tax credits without additional resources. Due to the intensive knowledge of credits that is needed DOR is not able to use temporary staff to help with processing these returns. This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of $42,953 (salary plus years of service pay).

In response to similar legislation, HCS for HB Nos. 3231 & 253 (2026), officials from the **B&P** assumed, beginning with tax year 2027, taxpayers may receive a tax credit for the cost of converting commercial property to primarily (50% or more) residential property. Buildings must be at least 25 years old to qualify and located either in an innovation zone or a qualified MO Main Street district. Tax credits are equal to 30% of conversion costs if located within an innovation and MO Main Street district. Otherwise, tax credits are limited to 20% of renovation costs within an innovation district.

Tax credits are non-refundable but may be transferred / sold. In addition, the tax credits can be carried forward up to ten tax years. B&P notes that this provision allows a building to utilize both this tax credit and the Historic Preservation tax credit.

Up to $50 million in credits may be authorized each fiscal year.

Therefore, B&P estimates that this provision could reduce TSR and GR by up $50 million starting FY28.

Officials from the **Department of Commerce and Insurance (DCI)** assume these provisions create multiple tax credits that can be taken against Ch. 148 premium taxes. There is a potential unknown negative fiscal impact of up to 50 million (Section 620.6024).

Officials from the **DED** note §620.6024 establishes the office-to-residential conversion tax credit incentive.

For all tax years beginning on or after January 1, 2027, the department shall issue a taxpayer a tax credit up to 25% of qualified conversion expenditures with respect to a qualified converted building or upper-floor housing located in a qualified innovation district. The tax credit may be carried back to any of 3 preceding tax years or carried forward for the succeeding 10 tax years. Tax Credit may be transferred, sold, or assigned.

For all tax years on or after January 1, 2027, the department shall issue a tax credit up to 30% of qualified conversion expenditures with respect to upper-floor housing located in a qualified Missouri Main Street district.

The total amount of tax credits authorized per fiscal year may not exceed $50M. (2) 50% authorized solely for structures of more than 750K gross square feet. If the total reserved has been authorized, structures of more than 750K square feet may receive tax credits from the remaining unreserved amount of tax credits. The total amount of tax credits for a structure of more than 750K square feet may be allocated over a period of up to 10 years. Must meet 10% incurred costs test within 36 months after award is authorized.

25% of maximum amount of tax credits available to be authorized to taxpayers in a fiscal year shall be authorized solely for upper-floor housing projects located in a qualified Missouri Main

Street district unless not fully authorized, in which projects may use unauthorized amount from reserve.

Allows for applications awaiting approval after the cap has been exhausted to be reserved for the next fiscal year in priority order of submission.

The Department will be responsible for:

- Promulgate rules for the program.
- Develop program application (preliminary and final), guidelines, and review process.
- Review documentation and authorize/issue tax credits.

The fiscal impact:

- Qualified Conversion Expenditures with respect to a qualified converted building or upper floor housing located in a qualified innovation district.
- 25% tax credit
- Carry back 3 years, carry forward 10 years, transferred, assigned, sold
- Qualified Conversion Expenditures with respect to upper floor housing located in a qualified Missouri Main Street District.
- 30% tax credit
- Carry back 3 years, carry forward 10 years, transferred, assigned, sold
- Total tax credit cap: Authorizations per fiscal year may not exceed $50M.
- 50% authorized solely for structures of more than 750K gross square feet.
- If the total reserved has been authorized, structures of more than 750K square feet may receive tax credits from the remaining unreserved amount of tax credits.

§620.6027 - Missouri Opportunity Zone

Officials from the **DOR** assume this proposal allows the creation of opportunity zones whose purpose it to allow the deferral and potential exclusion of income tax liability to people purchasing property within them.

This proposal says that eligible taxpayer can elect to defer the paying of Missouri income tax or be excluded from paying income tax, if the company says they will use their income tax revenue to make eligible expenses under this proposal. DOR notes that the language does not mention anything further about being excluded from tax, so DOR assumes this proposal only grants a deferment of the payment of the tax owed. This proposal would allow DOR to prescribe the manner of applying for this election. If the election is accepted, they would defer paying their income tax for up to 10 years.

This proposal says the income tax eligible for this election is all income tax under Chapter 143. However, later in the proposal it says that the income tax should not include corporate tax. DOR

notes that under the definition of Missouri income tax it would allow corporate tax, so DOR assumes all income taxes (individual, corporate, fiduciary & financial institutions) would be eligible for this election.

Since this is a deferral program, the tax would be due once the expiration period has expired. This program allows the election for up to 10 years, and therefore, this deferral would not result in any loss of tax revenue to the state but could result in up to a 10-year cash flow situation.

DOR notes that this proposal does not negate the requirement to file a Missouri tax return and as a matter of fact the return would still be necessary to determine the amount of tax that will be eligible to be deferred. DOR will still require the return, and DOR will have a form the person will complete, indicating the amount they wish to defer, which will be remitted with their return. The creation of the form will cost $10,000. This will also require modification of the tax reporting system to record which taxpayers have a deferral. These changes are estimated at $30,000.

This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of $42,953 (salary plus years of service pay) to track the qualifying taxpayer accounts and to handle any clawbacks that may be necessary.

In response to similar legislation, HCS for HB Nos. 3231 & 253(2026), officials from the **B&P** assumed this provision will allow taxpayers to defer their income tax liability if they use that liability to make a qualifying investment within a MO Opportunity Zone. This deferment is not available for C-corporations.

Taxpayers have six months after the close of the tax year to make such qualifying investment. However, annual income tax payments are due April 15th. B&P assumes that taxpayer will be required to pay their full tax liability in April and then either file an extension, completing their return in October, or file an amended income tax return later if the qualifying investment is made after April 15th. This could result in significant cash flow changes between fiscal years.

Monies gained from investments lasting ten or more years will be exempt from income tax. There is no limit to the amount of income taxes that may be deferred under this program. Therefore, B&P estimates that this provision could decrease TSR and GR by an unknown, could be significant, amount starting FY28 (when tax year 2027 income tax returns are filed).

Officials from the **DED** note §620.2027 establishes a Missouri Opportunity Zone, an overlay of the innovation district, to encourage long-term private investment. This section is administered by the Department of Revenue; however, the Department of Economic Development is responsible for promulgating rules for the section, consulting with DOR.

The Department will be responsible for:

- Promulgate Rules and Regulations.

§620.6030 - Angel Investment Incentive Act

Officials from the **DOR** assume this creates the Angel Investment Incentive Act which would be a new tax credit program. Beginning January 1, 2027, an investor who makes a cash investment in a qualified Missouri business shall receive a tax credit worth 40% of the cash investment, or 50% if the business is located in a rural area or 60% if the business is located in an innovation zone. This proposal allows all businesses in the state to participate.

DED and the Missouri Technology Corporation (MTC) are responsible for administration of this credit. They are to make sure that no one investor gets more than $75,000 in credits and that no investor receives more than $300,000 annually for all investment opportunities. This program has a $6 million annual cap in tax years 2027 and 2028. Each year thereafter the cap will be $7 million annual cap if the $6 million was issued each year. This proposal allows the cap to increase to $8 million should the $7 million cap be issued annually.

Tax Year	Fiscal Year Claimed	Cap
2027	FY 2028	($6,000,000)
2028	FY 2029	($6,000,000)
2029	FY 2030	($7,000,000)
2030	FY 2031	($7,000,000)
2031	FY 2032	($7,000,000)
2032	FY 2033	($7,000,000)

This proposal will become effective on August 28, 2026, and is allowing the tax credit to start on January 1, 2027. Therefore, the first tax returns filed reporting the credit will be received starting on January 1, 2028 (FY 2028).

These credits require the business to be an approved business by MTC. Additionally, MTC has to approve the distribution of the credits. MTC will issue certificates that the taxpayer can attach to the tax return to redeem the credit. MTC is allowed to charge a fee for the credits. DOR defer to MTC for the impact on the fee.

This will be a new tax credit that has to be added to the MO-TC form ($2,200), the website and individual income tax computer system ($1,887). These changes are estimated to cost $4,087. DOR's existing tax credit staff is no longer able to take on any additional tax credits without additional resources. Due to the intensive knowledge of credits that is needed DOR is not able to use temporary staff to help with processing these returns. This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of $42,953 (including the years of service pay).

In response to similar legislation, HCS for HB Nos. 3231 & 253(2026), officials from the **B&P** assumed beginning January 1, 2027, a tax credit shall be allowed for forty-percent of an

investor's cash investment of a qualified Missouri business. The Director of the Department of Economic Development and the Missouri Technology Corporation (MTC) shall not allow tax credits of more than $75,000 for a single business or a total of $300,000 in credits for a single year per investor. The legislation caps the tax credit at $6 million during calendar years 2027 or 2028. If the full ($6 million) amount is authorized, the next year the annual limit shall increase to $7 million. B&P notes that this increase could happen as early as tax year 2029. The credit shall be increased once more, to $8 million, the year after the full $7 million limit is authorized. B&P notes that this increase could happen as early as tax year 2030.

B&P notes that the $6 million cap is shared between calendar years 2027 and 2028. Therefore, it is possible that the full $6 million may be authorized and redeemed for calendar year 2027 (FY 28) leaving no credits remaining for calendar year 2028 (FY 29). B&P further notes that the increase (from $6 million to $7 million) in the tax credit cap is based on the amount of credits authorized in the prior year. This could result in no adjustment being allowed to the credit limit for calendar year 2029, even if the full $6 million in credits is authorized during the combined two year (2027 and 2028) period.

The following amounts may be allowed annually until the program ends after tax year 2033:

Calendar Year/(Fiscal Year) Cap

2027 & 2028/ (FY28 & FY29) $6,000,000
2029/ (FY30) Up to $7,000,000
2030+/ (FY31+) Up to $8,000,000
Calendar Year/(Fiscal Year) Cap

Officials from the **DED** note §620.6030 & §620.6033 creates the Missouri Angel Investment Incentive Act. The tax credit program is primarily administered by MTC (Missouri Technology Corporation). DED's role is to process and issue tax credits.

The program requires annual qualification of Missouri business by the Missouri Technology Corporation (MTC) to be eligible for the allocation of tax credits equal 40% of each investor’s cash investment in that business, 50% if the business in located in a rural area, and 60% if located in an MIZ. Such tax credits shall be allocated to those qualified Missouri businesses that, as determined by MTC, are most likely to provide the greatest economic benefit to the region, the state, or both. MTC would evaluate/allocate/authorize, and the department would issue, whole or partial tax credits based on a report issued to the director of the department from MTC's assessment of the qualified Missouri businesses.

Each year, tax credits shall be reserved for equal distribution among each geographic region during the first 6 months of the year. Any unissued tax credits can be used for any region, after the first 6 months. This credits shall automatically expire on December 31, 2032.
Authorizing the tax credit program could reduce TSR by up to the cap in the amount of $6,000,000 for the January 1, 2027 to December 31, 2028 years. Second, the Angel investment

tax credit has a cap of $6M in the first year 2 years and increases to $7M if the previous year's cap was exhausted, and $8M if the previous year's cap was exhausted. Qualification and award of projects will be administered by the Missouri Technology Corporation.

The department is requesting 14 Senior Economic Development Specialists, 3 Economic Development Managers, and 1 Legal Counsel.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DED.

§620.6033 - Qualified Business Credit

Officials from the **DOR** assume this provision allows MTC to issue tax credits to qualified businesses and allows DED to issue tax credits to investors of qualified businesses. MTC's credits to qualified businesses are for those business appear to provide the greatest economic benefit to an innovation zone or to the state. If the MTC issues a credit to a qualified business, then DED can give each investor to the business a tax credit.

This proposal does not limit the amount of credits that can be issued to a single taxpayer under this provision, nor does it establish a cap. DOR is unable to estimate the actual impact from these credits. DOR for the fiscal note will assume these 2 credits will be lost revenue to general revenue and will exceed $250,000 annually.

These 2 new tax credits have to be added to the MO-TC form ($2,200 * 2), the website and individual income tax computer system ($1,887 * 2). These changes are estimated to cost $8,174. DOR's existing tax credit staff is no longer able to take on any additional tax credits without additional resources. Due to the intensive knowledge of credits that is needed DOR is not able to use temporary staff to help with processing these returns. This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of $42,953 (including the years of service pay).

Responses regarding the proposed legislation as a whole

Officials from the **Department of Revenue** assume the need for 7 Associate Customer Service Representatives and 1 Auditor.

Oversight will reflect the costs as estimated by B&P, DED and DOR.

In response to the previous version, officials from the **Department of Natural Resources** deferred to the DOR for the potential fiscal impact of this proposal.

Officials from the **State Tax Commission** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

In response to a previous version, officials from **Office of the State Courts Administrator** assumed the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for both respective agencies.

Officials from the **Missouri Department of Conservation** assume an unknown fiscal impact. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. The Department defers to the Department of Revenue as it is responsible for tax collection and would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Oversight notes that the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax of the Missouri Constitution, thus MDC's sales taxes are constitutional mandates. Oversight assumes the proposal may decrease the amount of sales tax revenue distributed to this fund. Therefore, Oversight will show DOR & B&P's estimates for MDC's funds.

Oversight notes the Park, Soil, and Water Sales Tax funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47 (a) thus DNR's sales taxes are constitutional mandates. Oversight assumes the proposal may decrease the amount of sales tax revenue distributed to this fund. Therefore, Oversight will show DOR & B&P's estimates for MDC's funds.

Officials from the **County Employees Retirement Fund (CERF)**, **Public Education Employees' Retirement System (PSRS/PEERS)**, and **Sheriff's Retirement System** each assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a previous version, officials from the **City of Kansas City** assumed this bill will have an indeterminate fiscal impact on Kansas City. While the bill does not create a direct fiscal impact upon adoption due to the voluntary nature of the "innovation zone program", participation could affect the City in multiple ways. An eligible project receiving property tax abatement within an innovation zone would have a negative impact on property tax revenues within the City. However, a decline in property tax revenue could be offset by increased "net-new property tax revenue" caused by increased economic activity in the innovation zone. The actual fiscal impact would be unknown until the City could forecast the predicted economic impact of an incentive project as compared to the decrease in tax revenues that would come as a result of participation in the program.

The **Oversight Division** is responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, Oversight can absorb the cost with the current budget authority.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to a previous version, officials from the **Office of the Secretary of State (SOS)** noted many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

FISCAL IMPACT – State Government	FY 2027 (10 Mo.)	FY 2028	FY 2029	Fully Implemented (FY 2034)
GENERAL REVENUE FUND				
Revenue Loss – (§99.960) Income and withholdings tax p.5-6	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Revenue Loss – (§99.960) Sales & use tax on goods sold in area p.5-6	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Cost – (§620.6012) 50% diversion of sales tax and withholding to Innovation District Public Safety Fund p.16-18	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Cost – (§620.6012) Withholding Prepayment p.16-18	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Cost – (§620.6015) Employee Income Tax Exclusion p.19-20	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)

FISCAL IMPACT – State Government	FY 2027 (10 Mo.)	FY 2028	FY 2029	Fully Implemented (FY 2034)
Cost – (§620.6018) 3% Employer Retention & Reinvestment Withholding Incentive p.19-22	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Cost – (§620.6021) Employer Relocation Withholding Incentive Tax Credit p.22-24	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Cost – (§620.6024) Office-to-Residential and Upper Floor Conversion Expenditure Tax Credit(s) p.24-26	$0	Up to ($50,000,000)	Up to ($50,000,000)	Up to ($50,000,000)
Cost – (§620.6027) MO Opportunity Zone deferment or exclusion of income tax p.26-28	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Cost – (§620.6030) Missouri Angel Investment Incentive Act p.28-30	$0	Up to ($6,000,000)	Up to ($6,000,000)	Up to ($8,000,000)
Cost – (§620.6033) Qualified Business Tax Credit(s) p.30-31	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Revenue Gain – (§620.2033.2) Claw-back provision p.30-32	$0	$0 or Unknown	$0 or Unknown	$0 or Unknown
Cost – DOR (§§99.918 - 99.980 & §§620.6009-620.2033) p.30				
Personal Service	($389,776)	($477,086)	($486,627)	($537,276)
Fringe Benefits	($279,288)	($338,908)	($342,745)	($378,418)
Expense & Equipment	($5,339,019)	($5,297)	($5,403)	($5,965)
Total Costs – DOR	($6,008,083)	($821,291)	($834,775)	($921,659)
FTE Change – DOR	9 FTE	9 FTE	9 FTE	9 FTE

FISCAL IMPACT – State Government	FY 2027 (10 Mo.)	FY 2028	FY 2029	Fully Implemented (FY 2034)
Cost – DED (§§99.918 - 99.980 & §§620.6009-620.2033)				
Personal Service	($1,406,920)	($1,722,070)	($1,756,511)	($1,939,330)
Fringe Benefits	($810,903)	($986,665)	($1,000,517)	($1,104,652)
Expense & Equipment	($332,191)	($120,166)	($122,570)	($135,327)
Total Costs – DED	($2,550,014)	($2,828,901)	($2,879,598)	($3,179,309)
FTE Change – DED	18 FTE	18 FTE	18 FTE	18 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	**Could exceed ($8,558,097)**	**Could exceed ($59,650,192)**	**Could exceed ($59,714,373)**	**Could exceed ($62,100,968)**
Estimated Net FTE Change on General Revenue	27 FTE	27 FTE	27 FTE	27 FTE
SCHOOL DISTRICT FUND (1688)				
Revenue Loss – (§99.960) Sales & use tax on goods sold in the development area p.5	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Revenue Loss – (§99.960) Sales tax on motor vehicles p.5	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Cost – (§620.6012) 50% diversion of sales tax and withholding to Innovation District Public Safety Fund p.16-18	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Cost – (§620.6024) Office-to-Residential and Upper Floor Conversion Expenditure Tax Credit(s) p.21-24	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)

FISCAL IMPACT – State Government	FY 2027 (10 Mo.)	FY 2028	FY 2029	Fully Implemented (FY 2034)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**(Unknown)**	**(Unknown)**	**(Unknown)**	**(Unknown)**
CONSERVATION COMMISSION FUND (1609)				
Revenue Loss – (§99.960) Sales & use tax on goods sold in the development area p.5	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Revenue Loss – (§99.960) Sales tax on motor vehicles p.5	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Cost – (§620.6012) 50% diversion of sales tax and withholding to Innovation District Public Safety Fund p.16-18	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Cost – (§620.6024) Office-to-Residential and Upper Floor Conversion Expenditure Tax Credit(s) p.21-24	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSSION FUND	**(Unknown)**	**(Unknown)**	**(Unknown)**	**(Unknown)**
PARK, SOIL, & WATER SALES TAX FUND (1613 & 1614)				

FISCAL IMPACT – State Government	FY 2027 (10 Mo.)	FY 2028	FY 2029	Fully Implemented (FY 2034)
Revenue Loss – (§99.960) Sales & use tax on goods sold in the development area p.5	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Revenue Loss – (§99.960) Sales tax on motor vehicles p.5	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Cost – (§620.6012) 50% diversion of sales tax and withholding to Innovation District Public Safety Fund p.16-18	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Cost – (§620.6024) Office-to-Residential and Upper Floor Conversion Expenditure Tax Credit(s) p.22-25	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
ESTIMATED NET EFFECT ON PARK, SOIL, & WATER SALES TAX FUND	**(Unknown)**	**(Unknown)**	**(Unknown)**	**(Unknown)**
STATE ROAD BOND FUND (1319)				
Revenue Loss – (§99.960) Sales tax on motor vehicles p.6	(Unknown)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE STATE ROAD BOND FUND	**(Unknown)**	**(Unknown)**	**(Unknown)**	**(Unknown)**
STATE ROAD FUND (1320)				

FISCAL IMPACT – State Government	FY 2027 (10 Mo.)	FY 2028	FY 2029	Fully Implemented (FY 2034)
Revenue Loss – (§99.960) Sales tax on motor vehicles p.6	(Unknown)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE STATE ROAD FUND	**(Unknown)**	**(Unknown)**	**(Unknown)**	**(Unknown)**
SUPPLEMENTAL DOWNTOWN DEVELOPMENT FUND (1766)				
Transfer-In – (§99.960) Monies from various tax (sales, use, fees, and income tax) p.7-8	Unknown	Unknown	Unknown	Unknown
Transfer-Out - (§99.960) Monies distributed to the local political subdivisions' projects p.7-8	(Unknown)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT SUPPLEMENTAL DOWNTOWN DEVELOPMENT FUND	**$0**	**$0**	**$0**	**$0**
RURAL MISSOURI DEVELOPMENT FUND				
Transfer-In – (§620.6009) 10% of net new property tax revenues from Local Political Subdivisions p.15-16	$0	$0 or Unknown	$0 or Unknown	$0 or Unknown

FISCAL IMPACT – State Government	FY 2027 (10 Mo.)	FY 2028	FY 2029	Fully Implemented (FY 2034)
Cost – (§620.6009) DED awarding rural projects p.15-16	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
ESTIMATED NET EFFECT ON RURAL MISSOURI DEVELOPMENT FUND	**$0**	**$0**	**$0**	**$0**

FISCAL IMPACT – Local Government	FY 2027 (10 Mo.)	FY 2028	FY 2029	Fully Implemented (FY 2034)
LOCAL POLITICAL SUBDIVISIONS				
Revenue Loss – (§99.960) Sales & use tax on goods sold in the development area p.5	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Revenue Loss – (§99.960) Sales tax on motor vehicles cities and counties p.5	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Revenue Loss – (§99.960) Personal property, transient guest, licenses and other fees p.5	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Transfer-Out – (§620.6009) 10% diversion of a net new revenues from growth to Missouri Rural Development Fund p.15-16	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)

FISCAL IMPACT – Local Government	FY 2027 (10 Mo.)	FY 2028	FY 2029	Fully Implemented (FY 2034)
Cost – (620.6003 to 620.6006) Local Tax Incentives (tax abatement and tax increment financing) p.8-15	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Revenue Gain – (§620.6009) DED awarding rural projects p.15-16	$0	$0 or Unknown	$0 or Unknown	$0 or Unknown
Transfer-In – (§620.6012) 50% Diversion of net new state revenues, sales tax, and withholdings to local innovation zone public safety fund p.15-17	$0	$0 or Unknown	$0 or Unknown	$0 or Unknown
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**(Unknown)**	**$0 or (Unknown) to Unknown**	**$0 or (Unknown) to Unknown**	**$0 or (Unknown) to Unknown**

FISCAL IMPACT – Small Business

A fiscal impact on small businesses could be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill modifies provisions relating to financial incentives for economic development.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning
Department of Revenue
Department of Economic Development
Department of Natural Resources
Missouri Department of Conservation

BB:LR:OD

Joint Committee on Administrative Rules
Office of the Secretary of State
Office of the State Treasurer
City of Kansas City
State Tax Commission
Oversight Division



Julie Morff
Director
May 12, 2026



Jessica Harris
Assistant Director
May 12, 2026

BB:LR:OD