

HCS HB 1590 -- INCENTIVES FOR NEW BUSINESSES (Fitzwater)

COMMITTEE OF ORIGIN: Standing Committee on Emerging Issues

The following is a summary of the House Committee Substitute for HB 1590.

This bill modifies numerous provisions of law relating to incentives for new businesses.

RIGHT-TO-START ACT (Section 34.195, RSMo)

This bill establishes the "Right-to-Start Act".

No later than June 30, 2024, and annually thereafter, the Commissioner of the Office of Administration shall file a report with the General Assembly that includes:

- (1) The number of contracts awarded to businesses that have been in operation for less than three years and the percentage of such amount compared to the total number of contracts awarded;
- (2) The total dollar amount of contracts awarded to businesses that have been in operation for less than three years and the percentage of such amount compared to the total dollar amount of contracts awarded; and
- (3) The number and total dollar amount of contracts awarded to minority-owned businesses compared to the total number and dollar amount of contracts awarded.

The Commissioner shall also, in conjunction with the Office of Entrepreneurship established under Section 620.3800, file a report with the General Assembly making recommendations on improving access and resources for new Missouri businesses, including minority-owned Missouri businesses, that have been in operation for less than three years by January 1, 2024.

TAXATION (Sections 143.022 and 143.071)

Currently, there is an individual income tax deduction for business income. This deduction phases into 20% by 5% increments if certain triggers are met. No increase to the deduction will go into effect unless the net general revenue collected in the previous fiscal year exceeded the amount of net general revenue in any one of the three fiscal years prior to such year by at least \$150 million. Shareholders of "S" corporations and partners in partnerships will be allowed a proportional deduction based on their share of ownership.

As specified in this bill, the first \$100,000 of any remaining business income amount from a taxpayer that begins business operations in this state on or after January 1, 2023, after the subtraction provided for in law, shall be reduced for the first through third tax years in which the taxpayer's business is in operation by 20%.

Additionally, for all tax years beginning on or after January 1, 2023, in lieu of the tax currently imposed under law, a tax is imposed upon the Missouri taxable income of a corporation validly licensed under the applicable laws that begin operations in this state on or after January 1, 2023 for the first through third tax years of such corporation, of 3% for the first \$100,000 of the corporation's income.

OFFICE OF ENTREPRENEURSHIP (Section 620.3800)

This bill creates the "Office of Entrepreneurship" within the Department of Economic Development. The Office will employ an individual to promote policies and initiatives to support the growth of entrepreneurship, including minority entrepreneurship, in the state. The Office will work with stakeholders and communities, including minority communities, to provide information and technical support to entrepreneurs. The Office will support and advice the Office of Administration with preparing the report making recommendations on improving access and resources for new Missouri businesses.

This bill is similar to HB 1202 (2021).